



Title: The President's budget as a start for 2018 Farm Bill negotiations
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Abstract: This brief uses the occasion of President Trump's fiscal 2019 budget to review the role of presidential administrations in Farm Bill deliberations. We look at specific proposals offered in the new budget document and identify how those might be interpreted in comparison to previous published budget documents.

Introduction

On February 12, the Trump administration released its 2019 fiscal year agenda as a means of noting its priorities for the next budget cycle. Farm Bill spending featured prominently in the document, with proposed reductions in spending on crop insurance and conservation programs as well as dramatic changes for the Supplemental Nutrition Assistance Program (SNAP). In this brief, we examine the specifics of the Trump administration proposal and what significance they might have for the 2018 Farm Bill debate.

What is "The Budget?"

The executive branch kicks off the federal budget cycle by producing a budget document that details revenues and outlays for the coming fiscal year. The Trump administration's Office of Management and Budget (OMB) published "An American Budget" on February 12 as its preferred plan for managing the federal government in fiscal 2019. The document makes a full accounting of the federal budget with a number of top-line items or initiatives prioritized by the administration for stimulating growth, reducing deficits, or some other economic policy objective. The Trump 2019 budget is of particular interest because it points to reductions and reforms in a number of Farm Bill areas.

Every year, changes to Farm Bill spending are suggested by presidential administrations in their budgets. In most years these suggestions can be dismissed out of hand because the only way to significantly change Farm Bill spending is to 'reopen' the Farm Bill. This amounts to fully rewriting the omnibus bill that controls the many programs that support farm incomes, commodity markets, agricultural research, conservation, and nutrition assistance. The 2019 budget is the timely exception because the Farm Bill is set to expire at the end of fiscal year 2018 and the relevant Senate and House committees are already tasked with writing new farm legislation.

What is in the Trump administration's proposal for agriculture?

With farm legislation expiring, the Trump administration has used its budget document to suggest reductions in Farm Bill spending in numerous areas as well as a significant change in the way

nutrition assistance works in the US (Brasher; OMB). Some of the proposed changes for farm producers include¹:

- Terminate eligibility of farmers with Adjusted Gross Income (AGI) of \$500,000 or more for commodity payments, crop insurance premium subsidies, and conservation programs
- Eliminate payment limit loopholes that allow farms to organize in a manner that exceeds per farmer limits on total payment receipts
- Reduce the average crop insurance premium subsidy rate from 62% to 48%
- Reduce payments made to private insurers in the crop insurance program
- Modify and reduce conservation program spending

This set of priorities, many that cite directly recommendations provided by government research and audits that look into the effectiveness of policies, is not so different than might be found in any administration's budget document. Payment limits, reduced crop insurance subsidies, and streamlined conservation programs were all items featured in President Obama and President George W. Bush budget documents (see e.g. The White House 2008; Nosowitz, 2016). However, the proposed shift in providing nutrition assistance stands out as a dramatic policy alternative that is attracting significant attention from policy analysts.

On nutrition, the Trump administration's budget document outlines changes to the program that would replace up to fifty percent of SNAP benefits going to recipients with a box of foodstuffs. The "box" of foodstuffs would consist of domestic produced staple items as well as procurement and delivery programs. The budget proposal asserts that some \$20 billion/year would be saved through this innovation in SNAP combined with some other reforms that seek to reduce the number of people eligible for assistance.

The program was touted by the Secretary of Agriculture as an innovative approach to saving tax dollars and reducing waste and fraud in the program. The White House's budget director referenced ready to cook delivery services (specifically mentioning Blue Apron) as a model that USDA would like to see incorporated into SNAP (Hunzinger et al. 2018). Spot analysis of the program from a number of corners cited concerns on the costs of logistical implementation and the disappearance of food dollars from local markets.

It's difficult to evaluate the economic efficiency of the program without specific parameters of how it would work, but economics teaches us that an in-kind payments of the type proposed by food boxes must be of significantly larger monetary value to benefit the recipient the same as the cash transfer. Replacing the spending power of SNAP benefits with consumption goods is likely to be a poor fit for families' needs and other food assistance sources (e.g. from food pantries).

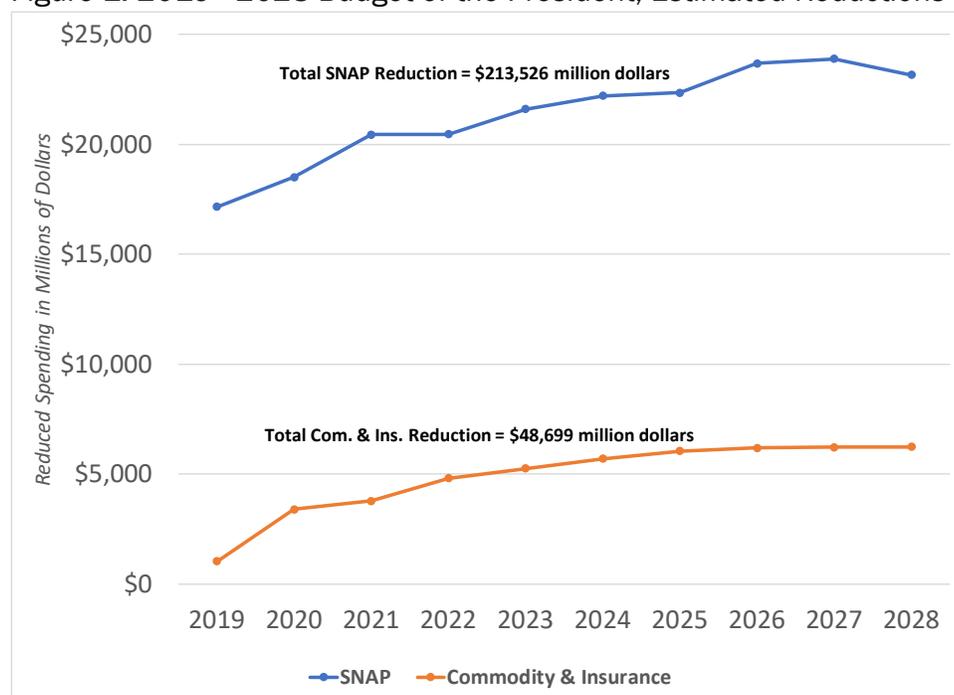
What does this mean for this year's Farm Bill debate?

The proposed SNAP reform and changes to commodity support and insurance are of pointed interest because they highlight the administration's desire for deficit reduction in the Farm Bill. Figure 1 shows the estimated reductions in spending split between the SNAP program and other Farm Bill spending (primarily commodity support and insurance). The largest reductions would be phased into the second half of the ten-year budget window. From 2019 to 2028, the reductions

¹ The full list of changes to farm support and nutrition assistance programs can be found on pages 126 – 128 of the OMB's 2019 budget document available at: <https://www.whitehouse.gov/wp-content/uploads/2018/02/msar-fy2019.pdf>.

average to a twenty-five billion dollar reduction in Farm Bill spending. This is roughly 25% of federal spending administered via farm legislation. The cuts to spending in Figure 1 are proportional to overall spending, with about 80% of the reductions coming from SNAP, a number that is consistent with the allocation of spending to nutrition in the Farm Bill.

Figure 1. 2019 - 2028 Budget of the President, Estimated Reductions in Farm Bill Spending



Congressional reaction to the budget's proposed cuts has been relatively minor, with leadership asserting its commitment to writing a Farm Bill that will maintain the agricultural safety net (Brasher). The House and Senate committees that draft the Farm Bill tend to be protective of their baseline spending (the 10 year projected cost of extending current law forward), so it is difficult to see them arriving at legislation that cuts twenty-five percent of total spending. The Republican Party has in the past advocated for aggressive cuts to the nutrition program making it likely that they could work with the president's SNAP reform or turn to some other cost reducing measure to SNAP. Even if that occurs, the likely outcome is that they would redirect any SNAP savings to other areas of the bill or new initiatives to maintain the spending baseline over the life of the bill.

References and Further Reading

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