

PURDUE

AGRICULTURAL ECONOMICS REPORT

Farm Policy Outlook

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Summary: In this outlook we examine the agricultural policy implications of a new Trump administration, focusing on the potential passing of a 2025 farm bill and its impact on the sector. We consider how the farm safety net will address new policy agendas such as federal budget priorities and broader economic issues such as trade, immigration, and energy.

Farm Policy Outlook

In November's U.S. elections, Republicans regained control of the White House and Senate while maintaining their majority in the U.S. House of Representatives. The Republican agenda **voiced by Donald Trump throughout the campaign year** was focused on a number of key issues for agriculture, including trade and energy, the size of the federal government and the regulatory state, and immigration. Each of these are notable for their potential to impact agricultural production costs and markets. During the first Trump administration, an aggressive trade policy that sparked retaliations on U.S. agricultural exports was a dominant concern, with the U.S. ultimately needing to deliver some **\$28 billion to farmers to sustain agricultural incomes between 2018 and 2020, a number that more than tripled the direct cost of direct support to farms as compared to 2017.**

While the outlook for agricultural trade and policies is covered elsewhere in this issue, the trade war of the first Trump administration was notable for exposing the limits of farm bill commodity support programs for insulating farmers from large market shocks. Those farm bill policies were **codified in 2018's Agricultural Improvement Act, which reauthorized and updated** the farm bill from 2014. That 2018 legislation was passed during the last time that Republicans had unified control of the federal government and was set to expire at the start of the 2024 fiscal year in October of 2023. Failure to pass replacement legislation for the 2018 farm bill in both 2023 and 2024 led to successive one-year extensions, making updating the farm bill an agricultural policy priority for 2025.

Progress on farm bill in 2024

The last farm bill was passed in December of 2018 and was programmatically similar to its predecessor legislation from 2014. **The U.S. House Committee on Agriculture voted a new farm bill out of committee in late May 2024.** The eventual score for this House version of the farm bill showed an increase in spending over 10 years of \$28.1 billion across all programs, with the largest increases coming for commodity support programs (+\$37 billion) partially paid for with offsets in nutrition programs (-\$27 billion). The increase in commodity supports is driven by increased reference prices, while the reduced nutrition program outlays come from limiting the amount that SNAP payments can increase in response to economic conditions going forward.

The Senate never took up the farm bill in committee during 2024, though **retiring Senate Ag Committee chair Debbie Stabenow did release her draft version to highlight differences from the House bill on commodity and nutrition spending.** Ultimately, the 2018 farm bill was extended for a second one-year stint through September 30, 2024, before Congress recessed in December. This **extension was passed alongside legislation to continue funding the government that included \$10 billion in aid for commodity producers.** The political shifts in Washington mean that the May 2024 House version of the farm bill likely serves as the starting point for a potential 2025 farm bill, but that process could still be complicated by both competing views in the Republican caucus on the priorities within the farm bill as well as the total spending number for a farm bill set against the backdrop of increasing deficits.

Agriculture and the policy agenda

The Trump transition team's **emphasis on reducing federal deficits** could represent a real complication for the passage of the farm bill, given that the overriding legislative priority is a **series of expanded tax cuts** tacked onto an extension of **expiring tax reforms passed in 2017**. An aggressive deficit reduction agenda could limit the ability to increase farm spending if entitlements like SNAP and commodity program payments are targeted or limit the ability of USDA to deliver on these and other programs if **discretionary funds for staffing and operations are targeted for reductions**. The argument for maintaining or increasing mandatory spending on programs is that it limits the need for emergency support to low-income families or farm households when economic shocks arise and thus saves money. However, those safety net programs have not been sufficiently responsive to shocks like the recent trade war, inflation spikes, and COVID disruptions to meaningfully retard large emergency disbursements.

The influence of deficits on the farm bill may be magnified by timing. It is expected that the farm bill debate will follow soon after actions on spending bills for fiscal 2025, a reconciliation bill that extends tax cuts, and defense and border security. Discussions over treating these in an all-in-one package have **faltered, with parts of the Republican caucus balking at using party-line reconciliation** to address border and immigration issues in tandem with tax policies. However the process plays out, an important signal for farm bill fortunes will emerge as part of the reconciliation tax package as **SNAP has become a priority target for reductions to trim spending and pay for tax cuts**.

Beyond the **farm bill and its big-ticket SNAP program**, conservation funding in the Inflation Reduction Act of 2022 has become a point of contention. Efforts to use the money initially targeted to climate-smart funding for more traditional farm support or conservation efforts have been pursued since its passage. The Biden administration and Republicans from districts with IRA projects **have pushed to spend out IRA funds ahead of January's inauguration** to ensure that program actions begun can be sustained to completion.

While the stakes for agriculture of the farm bill and tax policy issues are fairly well defined, prospective actions on border security migrant deportation are more uncertain. USDA reports that nearly half of the **agricultural workforce is undocumented as of 2022**. Beyond the farm, **unauthorized workers are employed in food processing sectors at significantly higher rates than in the broader economy**. The transition period appears to have narrowed the parameters of a concerted deportation action in response to the overall logistical challenge and reaction to industry concerns. **Farm groups were quick to advise that a major labor shock to agriculture would be devastating to costs of production and retail prices for food**. A more modest deportation agenda would preserve time for either Congress to take up **comprehensive immigration reform** or a carve-out program that grants **work authorization for certain undocumented migrants who have been working in agriculture**.

Prospects for 2025

The 2025 policy agenda is broad, with meaningful stakes for agriculture in every corner. It seems likely that a third year of extending the farm bill will be unnecessary with unified control of the federal government matching the political situation of the current farm bill's passage in 2018. We expect there will be meaningful actions on energy, trade, taxes and immigration that will all have impacts on the agricultural economy. What is unclear is how robust the farm safety net of a 2025 farm bill could be to protecting farm incomes from adverse impacts elsewhere in the policy agenda. The 2018 farm bill proved limited in protecting farm incomes from spillover effects of broader economy shocks, and those limitations of the previous bill will serve as a useful guide in designing a new 2025 farm bill and assessing its effectiveness.

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