



## CRS Report for Congress

### What Is the “Farm Bill”?

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#### Summary

The farm bill, renewed about every five years, governs federal farm and food policy. The most recent omnibus bill is the 2002 farm bill (P.L. 107-171), covering a wide range of programs, including commodity price and income support, farm credit, agricultural conservation, research, rural development, and foreign and domestic food programs, among others. In 2007, both the House and Senate completed committee and floor action on their respective versions of the new farm bill, which is intended to replace current law. Many provisions of the 2002 farm bill expired in September 2007, but were extended under a series of temporary extensions to allow more time to resolve differences between the House- and Senate-passed bills.

On May 14, 2008, the House passed the conference agreement on the 2008 farm bill (H.R. 2419, The Food, Conservation, and Energy Act of 2008), by a vote of 318-106. The next day, the Senate passed the same bill by a vote of 81-15. The Administration has announced it will veto the legislation; however, the farm bill conferees are confident they have enough support for the conference bill to override a possible veto. Concurrently, on May 14, both the House and Senate passed H.R. 6051, which continues the temporary extension of current law until the earlier of May 23, 2008, or until the 2008 farm bill, H.R. 2419, is enacted.

#### 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 comprehensively most of the programs of the U.S. Department of Agriculture (USDA).<sup>1</sup> The omnibus character of the bill can create a broader coalition of support among conflicting interests for policies that, individually, might not survive the legislative process. This same climate can stir fierce competition for available funds.

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<sup>1</sup> There have been several omnibus farm bills (2002, 1996, 1990, 1985, 1981, 1977, 1973). Major prior agriculture legislation occurred in 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933.

The 2008 conference bill (H.R. 2419, The Food, Conservation, and Energy Act of 2008) — intended to replace current law (P.L. 107-171) — contains 15 farm bill titles:

- **Title I, Commodities:** Support for selected commodities, including wheat, grains, cotton, rice, oilseeds, peanuts, sugar, and dairy. Support may be through direct payments, counter-cyclical payments, marketing loans, government purchases, marketing quotas, and/or import barriers.
- **Title II, Conservation:** Environmental stewardship of farmlands and improved management practices through land retirement and working lands programs, among other programs geared to farmland conservation, preservation, and resource protection.
- **Title III, Agricultural Trade and Food Aid:** U.S. agriculture export and international food assistance programs, and various World Trade Organization (WTO) obligations.
- **Title IV, Nutrition:** Domestic food and nutrition and commodity distribution programs, such as food stamps and supplemental assistance.
- **Title V, Farm Credit:** Federal direct and guaranteed farm loan programs. Also specifies loan eligibility rules and other policies.
- **Title VI, Rural Development:** Business and community programs for planning, feasibility assessments, and coordination activities with other local, state, and federal programs, including rural broadband access.
- **Title VII, Research:** Agricultural research and extension programs, including biosecurity/response, biotechnology, and organic production.
- **Title VIII, Forestry:** USDA Forest Service programs, including forestry management, enhancement, and agroforestry programs.
- **Title IX, Energy:** Bioenergy programs and grants for procurement of biobased products to support development of biorefineries and assist eligible farmers, ranchers, and rural small businesses in purchasing renewable energy systems, as well as user education programs.
- **Title X, Horticulture and Organic Agriculture:** A new farm bill title covering fruits, vegetables, and specialty crops and organic agriculture.
- **Title XI, Livestock:** A new farm bill title covering livestock and poultry production, inspections, country-of-origin labeling, and related programs.
- **Title XII, Crop Insurance:** A new farm bill title covering crop insurance and assistance previously included in the miscellaneous title.
- **Title XIII, Commodity Futures:** A new farm bill title covering reauthorization of the Commodity Futures Trading Commission (CFTC).
- **Title XIV, Miscellaneous:** Other types of farm programs and assistance, including those not covered in other titles.
- **Title XV, Trade and Tax Provisions:** A new title covering tax-related provisions intended to offset spending initiatives for some programs.

## What Is the Current Policy Setting?

Several major issues have framed the 2007-2008 farm bill debate. For example, are current commodity support and risk management programs equitable across all producers of program crops and specialty crops? Should program payments be limited per person? Is permanent disaster assistance needed in addition to crop insurance programs? There is general consensus to increase funding and expand current programs in the areas of

conservation, forestry, bioenergy, rural development, agricultural research, farm credit, marketing and export promotion, foreign food aid, and domestic food and nutrition. What will be the source of funding to expand programs, given current budgetary constraints?

**Budgetary Considerations.** As with all federal programs, the farm bill debate has been influenced by budgetary constraints imposed by Congress. Recent federal deficits have raised concerns with respect to reauthorization or expansion of current farm programs. Prior to congressional consideration of a new farm bill, budget projections showed a lower baseline budget for agriculture programs, mainly because high commodity prices have caused projections of future farm program spending to fall sharply under current law projections. The Congressional Budget Office's (CBO's) March 2007 baseline budget served as the official benchmark for the FY2008 budget resolution and for scoring the budgetary impacts of the new farm bill. The CBO baseline assumed continuation of current farm bill policies under expected economic conditions. The budget resolution set the actual spending constraints for the agriculture committees as they drafted a new farm bill.

In May 2007, Congress approved the FY2008 budget resolution, which adopted the baseline budget as the fiscal parameter for the next farm bill. It also included a \$20 billion reserve fund (above baseline) for new farm bill spending over five years.<sup>2</sup> However, any new spending was required to be deficit-neutral, meaning that it would have to be offset with equivalent reductions in other federal spending for existing mandatory programs, or by raising revenues. Large increases in the market prices of corn and other commodities since the summer of 2006 contributed to a lower March 2007 baseline for farm program spending. The March 2007 baseline projected spending for commodity support payments under current law to be \$42.4 billion for the FY2008-FY2013 period, about \$30 billion lower than actual spending in the previous six years (**Table 1**). Baseline estimates for mandatory conservation programs and the food stamps program for the next six years were higher compared to the previous six years. For more information, see CRS Report RS22694, *Farm Bill Budget and Costs, 2002 vs. 2007*.

**Table 1. 2002 Farm Bill Actual Spending (FY2002-FY2007 est.) and the March 2007 CBO Baseline (FY2008-FY2013)**

	Commodity Support	Conservation	Exports	Food Stamps	Total
(outlays in \$ millions)					
Baseline (FY08-FY13)	42,446	26,496	2,005	225,845	296,792
Actual (FY02-FY07)	72,934	18,323	1,648	178,158	271,063
Baseline vs. Actual	-30,488	+8,173	+357	+47,687	+25,729

**Source:** Compiled by CRS from various Congressional Budget Office (CBO) baselines.

**Trade Negotiations and Commitments.** The farm bill debate has also been influenced by obligations concerning the design and size of farm subsidies under the

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<sup>2</sup> Concurrent Resolution on the Budget for Fiscal Year 2008, *Deficit-Neutral Reserve Fund for the Farm Bill* (H.Rept. 110-153, conference report, Section 307).

World Trade Organization (WTO) Agreement on Agriculture, as well as by the U.S. position in the Doha Round of multilateral negotiations.

Agreement in the Doha Round was expected to converge in 2007 with the expiration of the 2002 farm bill, and to occur well before the June 30, 2007, expiration of Trade Promotion Authority (TPA), which provides for expedited congressional consideration of trade agreements. Some policymakers wanted a Doha Round agreement so that the next farm bill could be made consistent with new farm trade rules; others argued that the United States should not unilaterally change its own subsidy programs ahead of any multilateral trade agreement. Although progress in the Doha Round stalled in 2006, criticisms and legal challenges by some WTO member countries of current U.S. farm programs have continued.<sup>3</sup> EU officials have publicly stated that the proposed changes to U.S. domestic support programs that are being considered by Congress likely do not go far enough in meeting Doha Round objectives for farm trade policy reform.

**The Administration's Policy Recommendations.** In January 2007, the Bush Administration released its own detailed recommendations for the farm bill that aimed to substantially alter some aspects of the current commodity support system, while enhancing conservation, rural development, trade promotion, domestic food assistance, farm credit, energy, and research. These proposed changes would face potential funding obstacles, given current budget constraints. Nevertheless, the Administration repeatedly said it would veto any legislation that included certain revenue and tax-related provisions being considered by Congress, as well as legislation that failed to implement certain policy changes, including cuts in farm income subsidies, among other policy issues and concerns.

The Administration's stated approach for the farm bill was to take a "reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge."<sup>4</sup> In part, this referred to the perceived need to more evenly distribute federal program spending and benefits across a larger share of the U.S. farm community, as well as the perceived need to modify current farm programs to better comply with WTO obligations and limit future legal challenges from other countries. Some of these same concerns were voiced in recommendations and proposals by other organizations and interest groups. For more information on the USDA proposal, see CRS Report RL33916, *The USDA 2007 Farm Bill Proposal: Possible Questions*.

**Other Recommendations/Proposals.** The 2007/2008 farm bill debate differed from the 2002 debate in the number and scope of proposals seeking changes to existing legislation, some of which gained support within and outside Congress. In addition to the Administration proposal, several organizations and interest groups released their own farm bill recommendations. These included state organizations, national farm groups, commodity associations, conservation and rural development organizations, and several non-traditional interest groups. These policy recommendations represented diverse

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<sup>3</sup> For more information, see CRS Report RL33144, *WTO Doha Round: The Agricultural Negotiations*; CRS Report RL33697, *Potential Challenges to U.S. Farm Subsidies in the WTO*; and CRS Report RL33853, *Canada's WTO Case Against U.S. Agricultural Support*.

<sup>4</sup> USDA, "Johanns Unveils 2007 Farm Bill Proposals," Release No. 0020.07, January 31, 2007, at [<http://www.usda.gov/wps/portal/usdahome>].

interests seeking objectives ranging from maintaining current programs to substantially altering or eliminating them. Some of these recommendations were incorporated into legislation introduced by some Members of Congress during the debate, who sought to directly challenge the existing farm legislation and programs through comprehensive and broad-based proposed legislative changes. Others in Congress were reluctant to change current programs because they are strongly supported by the long-time beneficiaries.

## **What Is the Status of Current Congressional Action?**

On May 14, 2008, the House passed the conference agreement on the 2008 farm bill (H.R. 2419, The Food, Conservation, and Energy Act of 2008) by a vote of 318-106. The next day, the Senate passed the same bill by a vote of 81-15. The Administration has announced it will veto the legislation. However, given the margin of congressional approval based on the House and Senate floor votes, the farm bill conferees are confident they have enough support for the conference bill to override a possible presidential veto.

The final conference agreement completes congressional action that started in earnest in early 2007. Following House Agriculture Committee action beginning in March 2007, the House passed its version of the farm bill (H.R. 2419) on July 27, 2007. The Senate Agriculture Committee approved its version (S. 2302) in October and, on December 14, the Senate completed floor action on its bill, which was offered as a substitute to the House bill. Conference negotiations were initially delayed because of differences between committee leadership and the Administration. However, many provisions of the 2002 farm bill expired in September 2007. Consequently, Congress temporarily extended portions of the expiring farm bill until March 15, 2008, as part of the Consolidated Appropriations Act for FY2008 (P.L. 110-161). Since March, Congress has approved a series of short-term extensions lasting through May 23.<sup>5</sup> A timeline showing a chronology of major events is provided at the end of this report.

The conference bill amends current law covering support for commodity crops, horticulture and livestock production, conservation, nutrition, trade and food aid, and other agriculture-related programs. It also includes tax-related provisions that would make certain changes to tax laws, intended to offset new spending initiatives. Using the March 2007 baseline, the Congressional Budget Office (CBO) estimates the total cost of the 2008 conference bill (i.e., baseline plus new funding) at just under \$287 billion over FY2007-FY2012. More information is available in CRS Report RL33934, *Farm Bill Legislative Action in the 110<sup>th</sup> Congress*, and other CRS reports on the farm bill.

As stated above, the Administration has announced it will veto the farm bill conference legislation in its present form. Among the reasons cited by the Administration is the inclusion of certain revenue- and tax-related provisions in both bills. The Administration also cites concerns that the legislation does not include certain policy reforms in farm income subsidies, and concerns about possible incompatibility with U.S. obligations under the WTO, among other policy issues. Information about what might happen if a new farm bill is not enacted and various provisions of the 2002 farm bill expire is provided in CRS Report RL34154, *Possible Expiration of the 2002 Farm Bill*.

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<sup>5</sup> March 12 (P.L. 110-196), April 17 (P.L. 110-200), April 24 (P.L. 110-205), May 1 (P.L. 110-208), and May 14 (H.R. 6051).

## Table 2. 2007 Farm Bill Timeline

**May 2005** — One of the first comprehensive sets of recommendations for the next farm bill is released by a major agricultural trade association, followed by proposals by other major interest groups and non-farm organizations.

**July 7, 2005** — U.S. Department of Agriculture (USDA) begins its series of 52 farm bill forums nationwide.

**February 6, 2006** — House Agriculture Committee begins field and Congressional hearings to review federal farm policy.

**June 23, 2006** — Senate Agriculture Committee begins field and Congressional hearings to review federal farm policy.

**January 2007** — House and Senate Agriculture Committees begin hearings on selected farm bill topics.

**January 31, 2007** — USDA releases its farm bill recommendations, covering each title of the current law.

**February 2007** — One of the first comprehensive bills recommending broad changes to current law is introduced in the Senate, followed by other broad-based bill introduced by others in the House and Senate.

**March 21, 2007** — Congressional Budget Office (CBO) releases its multi-year March baseline estimate of spending, providing the starting point for the budget allocation for the new farm bill.

**March 21, 2007** — House Agriculture Committee begins subcommittee markup on the farm bill (H.R. 2419).

**May 17, 2007** — Congress approves the FY2008 budget resolution, adopting the baseline budget as the fiscal parameters and including a \$20 billion reserve for the new farm bill.

**July 17, 2007** — House Agriculture Committee begins full committee markup on the farm bill (H.R. 2419).

**July 26-27, 2007** — Floor debate and passage of H.R. 2419 in the House.

**October 4, 2007** — Senate Finance Committee approves a bill (S. 2242) that would create new tax credits and a disaster trust fund for farmers, as part of the 2002 farm bill reauthorization.

**October 24, 2007** — Senate Agriculture Committee begins full committee markup on its farm bill (S. 2302).

**November 5, 2007** — Senate floor debate begins, with the Senate Agriculture Committee Chairman offering an amended Senate bill as a substitute (S.Amdt. 3500) to H.R. 2419 (and includes provisions in S. 2242).

**November 16, 2007** — Further action in the Senate is delayed when a key vote in the Senate fails to invoke cloture on the Senate version of the farm bill.

**December 14, 2007** — Floor debate and passage of the Senate farm bill, which was offered as a substitute to H.R. 2419.

**December 26, 2007** — The Consolidated Appropriations Act for FY2008 (P.L. 110-161) is signed into law and extends certain expiring provisions of the 2002 farm bill until March 15, 2008.

**February 4, 2008** — Senate appoints conferees.

**March 12, 2008** — Congress approves a one-month extension (P.L. 110-196) that lasts through April 18.

**April 9, 2008** — House appoints conferees.

**April 17, 2008** — Congress approves a one-week extension (P.L. 110-200) that lasts through April 25.

**April 24, 2008** — Congress approves a one-week extension (P.L. 110-205) that lasts through May 2.

**May 1, 2008** — Congress approves a two-week extension (P.L. 110-208) that lasts through May 16.

**May 8, 2008** — House and Senate farm bill conferees announce details of the completed conference agreement. The Administration announces its intention to veto the legislation in its present form.

**May 14, 2008** — The House passes the conference agreement (H.R. 2419, the Food, Conservation, and Energy Act of 2008) by a vote of 318-106. Both the House and Senate pass, by voice vote, a one-week extension (H.R. 6051) to extend current law through May 23, 2008, or until the 2008 farm bill is enacted.

**May 15, 2008** — The Senate passes the conference agreement by a vote of 81-15.