



## CRS Report for Congress

### What Is the “Farm Bill”?

Renée Johnson  
Analyst in Agricultural Economics  
Resources, Science, and Industry Division

#### Summary

The farm bill, renewed about every five years, governs federal farm and food policy. The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill, 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. On July 27, 2007, the House passed its version of the 2007 farm bill, H.R. 2419, which changes some aspects of the current commodity support system and other farm programs. On December 14, the Senate passed its version of the 2007 farm bill, which was offered as a substitute to H.R. 2419. Conference negotiations have been delayed because of differences between committee leadership and the Administration. Consequently, Congress temporarily extended portions of the expiring 2002 farm bill until March 15, 2008, as part of the Consolidated Appropriations Act for FY2008 (P.L. 110-161). On March 12, Congress approved a second one-month extension (S. 2745) that lasts through April 18, 2008.

#### 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). The omnibus character of the bill can create a broader coalition of support among sometimes conflicting interests for policies that, individually, might not survive the legislative process. This same climate also can stir fierce competition for available funds.

The Farm Security and Rural Investment Act of 2002 (P.L. 107-171) is the most recent omnibus farm bill.<sup>1</sup> Under current law, the farm bill has ten titles that cover:

---

<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.

- **Title I, Commodity Programs:** Income support to growers of selected farm commodities, including wheat, feed grains, cotton, rice, oilseeds, peanuts, sugar, and dairy. Commodity support is largely through direct payments, counter-cyclical payments, and marketing loans. Other support mechanisms include government purchases, marketing quotas, and 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 food 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, Miscellaneous:** Other types of farm programs and assistance, including crop insurance, disaster assistance, animal welfare and inspections, country-of-origin labeling, organic agriculture, and some specialty commodities, among others.<sup>2</sup>

More detailed background and information on individual titles under current law is in CRS Report RL33037, *Previewing a 2007 Farm Bill*.

## What Is the Current Policy Setting?

Several major issues are framing the current 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 area of conservation, forestry, bioenergy, rural development, agricultural research, farm credit,

---

<sup>2</sup>The House bill would create a new horticulture title, whereas the Senate bill would create a new livestock title. Both the House and Senate bills also contain new bill titles with provisions that would make certain changes to tax laws, offsetting new spending initiatives in the 2007 farm bill.

marketing and export promotion, foreign food aid, and domestic food and nutrition. What would be the source of funding to expand programs, given current budgetary constraints?

**Budgetary Considerations.** As with all federal programs, the farm bill faces budgetary constraints imposed by Congress. Recent federal deficits have raised concerns with respect to reauthorization or expansion of current farm programs. Current budget projections also show a lower baseline budget for agriculture programs for the 2007 farm bill, mainly because high commodity prices have caused projections of future farm program spending to fall sharply if current law were continued in the future.

The Congressional Budget Office's (CBO's) March 2007 baseline budget serves as the official benchmark for the FY2008 budget resolution and for scoring the budgetary impacts of a 2007 farm bill. The CBO baseline assumes continuation of current farm bill policies under expected economic conditions. It is the budget resolution that set the actual spending constraints for the House and Senate Agriculture Committees as they drafted a new farm bill.

On May 17, 2007, Congress approved the FY2008 budget resolution, which adopted the baseline budget as the fiscal parameter for the next farm bill. It also includes a \$20 billion reserve fund (above baseline) for new farm bill spending over five years.<sup>3</sup> However, any new spending must 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 have contributed to a lower March 2007 baseline for farm program spending. The March 2007 baseline projects spending for commodity support payments under current law to be \$42.4 billion for the FY2008-FY2013 period, which is 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 are higher compared to the previous six years. For more information, see CRS Report RS22694, *Farm Bill Budget and Costs, 2002 vs. 2007*.

**Trade Negotiations and Commitments.** The current debate continues to be influenced by obligations concerning the design and size of farm subsidies under the 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. However, progress in the Doha Round stalled in 2006. Now many in Congress are seeking to write a new farm bill without regard to any future Doha Round agreement. Nevertheless, criticisms and legal challenges by some WTO member countries of current U.S. farm programs, and the backdrop of the ongoing

---

<sup>3</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).

negotiations, could influence the choices U.S. lawmakers have in designing new farm policies.<sup>4</sup> EU officials have publicly stated that changes to U.S. domestic support programs suggested by the Bush Administration's farm bill proposal do not go far enough in meeting Doha Round objectives for farm trade policy reform.

**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.

**The Administration's Policy Recommendations.** In January 2007, the Bush Administration released its own detailed recommendations for the farm bill that, if enacted, could substantially alter some aspects of the current commodity support system. There also is substantial momentum behind recommendations to enhance conservation, rural development, trade promotion, domestic food assistance, agricultural credit, energy, and research. However, given the budget constraints, the cost of any new initiatives would have to be offset by reductions in spending, either within existing farm bill programs or elsewhere, or by increases in revenues.

The Administration's stated approach for the farm bill is to take a "reform-minded and fiscally responsible approach to making farm policy more equitable, predictable and protected from challenge."<sup>5</sup> In part, this refers 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 have been 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 current farm bill debate differs from the 2002 debate in the number and scope of proposals seeking changes to the current legislation, some of which have gained support within and outside Congress. In addition to the Administration proposal, several organizations and interest groups have released their own recommendations for the farm bill. These include state organizations, national farm groups, commodity associations, conservation and rural development organizations,

---

<sup>4</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>5</sup> USDA, "Johanns Unveils 2007 Farm Bill Proposals," Release No. 0020.07, January 31, 2007, at [<http://www.usda.gov/wps/portal/usdahome>].

and several non-traditional interest groups. These policy recommendations represent diverse interests seeking objectives ranging from maintaining current programs to substantially altering or eliminating them. Some of these recommendations have been incorporated into legislation introduced by some Members of Congress who are directly challenging the existing farm programs and policies, including a number of comprehensive legislative proposals that seek broad-based changes to existing farm legislation and programs. Others in Congress may be reluctant to change current programs because they are strongly supported by the long-time beneficiaries.

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

Early in 2007, the chairmen of both the House and Senate Agriculture Committees indicated their intention to complete work on a new farm bill prior to the August 2007 recess, with full congressional action by September. The House Agriculture Committee conducted its markup of its version of the farm bill (H.R. 2419) in mid-July. House floor action was completed on July 27, 2007. In the Senate, regional differences and budget limitations delayed action by the Senate Agriculture Committee, which approved its version of the farm bill (S. 2302) on October 25, 2007. On December 14, the Senate completed floor action on its farm bill, which was offered as a substitute to the House bill. Conference negotiations have been delayed because of differences between committee leadership and the Administration.

Major changes and provisions in the House and Senate versions of the farm bill include proposed changes to commodity support and risk management policies and programs (such as direct payments, payment limits, revenue and counter-cyclical payments, crop insurance and disaster assistance, planting flexibility, and specialty crops), as well as provisions affecting conservation, bioenergy, rural development, forestry, agricultural research, competition, trade and food aid, agriculture credit, and domestic food programs and nutrition. Both the House and Senate bills also contain provisions that would make certain changes to tax laws, which are intended to offset new spending initiatives in the farm bill.

The Consolidated Appropriations Act for FY2008 (P.L. 110-161), which funds most domestic programs for FY2008, extends certain provisions of the 2002 farm bill until March 15, 2008. On March 12, Congress approved a second one-month extension (S. 2745) that lasts through April 18, 2008. The duration of the extension is expected to be sufficient for conference negotiations to resolve differences between the House- and Senate-passed farm bills. A new farm bill is expected to become effective for the 2008 crop year for most of the supported farm commodities, and for other programs for the remainder of FY2008 and beyond. Information about what might happen if Congress does not enact a new farm bill as various provisions of the 2002 farm bill expire is provided in CRS Report RL34154, *Possible Expiration of the 2002 Farm Bill*.

More detailed information is available in CRS Report RL33934, *Farm Bill Legislative Action in the 110<sup>th</sup> Congress*, and CRS Report RL34228, *Comparison of the House and Senate 2007 Farm Bills*. See also the CRS Current Legislative Issues Web page "Farm Bill and Farm Policy," which provides links to individual CRS reports on specific issue areas and titles of the farm bill.

## 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 proposal by other major interest groups and organizations (both traditional farm and other nonfarm groups).
- July 7, 2005** — U.S. Department of Agriculture (USDA) begins its series of 52 farm bill forums starting in Nashville, TN, and covering nearly all states (excl. Louisiana and Mississippi due to Hurricane Katrina.).
- February 6, 2006** — House Committee on Agriculture begins farm bill listening field hearings in Fayetteville, NC, and other hearings to review federal farm policy.
- June 23, 2006** — Senate Agriculture, Nutrition, and Forestry Committee begins regional farm bill hearings in Albany, GA, and other 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 Committee on Agriculture begins subcommittee markup on individual titles of the farm bill, proceeding through June 19, 2007.
- 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 Committee on Agriculture begins full committee markup on individual titles of the farm bill (H.R. 2419), proceeding through July 19, 2007.
- 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 individual titles of the farm bill (S. 2302), proceeding through October 25, 2007.
- 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. The bill 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 version of the farm bill, which was offered as a substitute to H.R. 2419 (Farm, Nutrition, and Bioenergy Act of 2007).
- 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 second one-month extension (S. 2745) that lasts through April 18, 2008.