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Previewing a 2018 Farm Bill

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Summary

Congress periodically establishes agricultural and food policy in an omnibus farm bill. The 115th Congress faces reauthorization of the 2014 farm bill—the Agricultural Act of 2014 (P.L. 113-79, H.Rept. 113-333)—because many of its provisions expire in 2018.

The 2014 farm bill is the most recent omnibus farm bill. It was enacted in February 2014 and succeeded the Food, Conservation, and Energy Act of 2008 (P.L. 110-246, "2008 farm bill"). In recent decades, the breadth of farm bills has steadily grown to include new and expanding food and agricultural interests. The 2014 farm bill contains 12 titles encompassing farm commodity revenue supports, farm credit, trade, agricultural conservation, research, rural development, energy, and foreign and domestic food programs, among other programs. Provisions in the 2014 farm bill reshaped the structure of farm commodity support, expanded crop insurance coverage, consolidated conservation programs, reauthorized and revised nutrition assistance, and extended authority to appropriate funds for many U.S. Department of Agriculture (USDA) discretionary programs through FY2018.

When the 2014 farm bill was enacted, the Congressional Budget Office (CBO) estimated that the total cost of mandatory programs would be $489 billion over the five years FY2014-FY2018. Four titles accounted for 99% ($483.8 billion) of anticipated farm bill mandatory program outlays: nutrition, crop insurance, conservation, and farm commodity support. The nutrition title, which includes the Supplemental Nutrition Assistance Program (SNAP), comprised 80% of the total, with the remaining 20% mostly geared toward agricultural production across other titles.

Traditionally, a primary focus of omnibus farm bills has been commodity-based revenue support policy—namely, the methods and levels of federal support provided to agricultural producers. The 2014 farm bill amended U.S. farm safety net programs by expanding crop insurance provisions and modifying counter-cyclical support while eliminating direct payments to growers of grains, cotton, and peanuts. Upland cotton was removed from eligibility for participation in the new revenue support programs as part of compliance with a World Trade Organization dispute settlement case with Brazil. Instead, cotton producers were offered an insurance-like support program that protects against within-season revenue shortfalls. Another major change involved dairy: Previous support programs were replaced with a new insurance-like margin program that insures against shortfalls in the difference between milk prices and feed costs. Most farm program proponents agree that the new cotton and dairy programs have performed ineffectively and are likely to see proposals for change.

Other farm interest groups, however, continue to point to competing policy priorities—covering a range of equity concerns across the entire farm sector—and call for enhanced support for small and medium-sized farms, specialty crops, organic agriculture, local and regional food systems, healthy and nutritious foods, research, conservation, and rural development, among others.

One of the principal drivers of a new farm bill debate will be the federal budget. According to CBO estimates, if ongoing programs were to continue under current law, mandatory farm bill spending by the four largest titles—nutrition, crop insurance, farm commodity programs, and conservation—is projected to be about $435 billion over the next five years (FY2018-FY2022), with domestic nutrition assistance accounting for nearly 77% of the total. This compares with actual costs for the first three years of the 2014 farm bill and projections for its last two years, which suggest that these four titles may cost $456 billion over FY2014-FY2018.

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The farm bill is an omnibus, multi-year law that governs an array of agricultural and food programs. Although agricultural policies are sometimes created and changed by freestanding legislation or as part of other major laws, the farm bill provides a predictable opportunity for policymakers to comprehensively and periodically address agricultural and food issues. The farm bill is renewed about every five years.[1]

The Agricultural Act of 2014 (P.L. 113-79, H.Rept. 113-333), referred to here as the "2014 farm bill," is the most recent omnibus farm bill. It was enacted in February 2014 and generally expires in 2018. It succeeded the Food, Conservation, and Energy Act of 2008 (P.L. 110-246, "2008 farm bill"). The 2014 farm bill contains 12 titles encompassing farm commodity revenue supports, agricultural conservation, international food aid and agricultural trade, nutrition assistance, farm credit, rural development, agricultural research, forestry, bioenergy, horticulture and organic agriculture, crop insurance and disaster assistance, and livestock issues. Provisions in the 2014 farm bill reshaped the structure of farm commodity support, expanded crop insurance coverage, consolidated conservation programs, reauthorized and revised nutrition assistance, and extended authority to appropriate funds for many U.S. Department of Agriculture (USDA) discretionary programs through FY2018.

The omnibus nature of the bill can create broad coalitions of support among sometimes conflicting interests for policies that individually might not survive the legislative process, but it can also stir competition for available funds, particularly among producers of different commodities or between those who have differing priorities. Such competition often results in farm state lawmakers seeking urban legislators' backing for commodity price supports in exchange for votes on domestic food assistance programs—and vice versa. In recent years, a more diverse range of groups has become involved in the debate, including national farm groups, commodity associations, state organizations, nutrition and public health officials, and advocacy groups representing conservation, recreation, rural development, local and urban farming facilities, faith-based interests, land-grant universities, and certified organic production.

For more background on the farm bill and the major provisions in the 2014 farm bill, see CRS Report R43076, *The 2014 Farm Bill (P.L. 113-79): Summary and Side-by-Side*, and CRS Report RS22131, *What Is the Farm Bill?*

This report provides background on each of the major titles of the current farm bill and previews of some of the potential issues that could factor into the debate. (For a list of contributors to this report and for more direct assistance on specific programs and topics, see table on previous page for contact information for individual CRS staff.)

Farm Policy Considerations for the 115th Congress

Since the 1930s, periodic farm bills have traditionally focused on farm commodity program support for a handful of staple commodities—corn, soybeans, wheat, cotton, rice, dairy, and sugar. In recent farm bills, however, the breadth of the farm bill has steadily grown to include new and expanding food and agricultural interests. Titles have been added to address emerging issues, and the farm bill has become increasingly omnibus in nature. Prominent additions to the farm bill have been nutrition assistance, farmland conservation, agriculture-based biofuels, and horticulture (specialty crops, such as fruits and vegetables, and organic agriculture). Farm bill titles have also become increasingly integrated. For example, the conservation and commodity titles both include provisions that affect land use and markets. Support for specialty crops, despite

[1] There have been 17 farm bills since the 1930s (2014, 2008, 2002, 1996, 1990, 1985, 1981, 1977, 1973, 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933).

its stand-alone title, includes a series of provisions contained in other farm bill titles. The **text box** below briefly describes provisions in these titles. See the **Appendix** at the end of this report for a complete list of titles and subtitles of the 2014 farm bill.

The 2014 Farm Bill (P.L. 113-79): Functions and Major Issues, by Title

- **Title I, Commodity Programs:** Provides farm payments when crop prices or revenues decline for major commodity crops, including wheat, corn, soybeans, peanuts, and rice. Includes disaster programs to help livestock and tree fruit producers manage production losses due to natural disasters. Other support includes margin insurance for dairy, marketing quotas, minimum price guarantees, and import quotas for sugar.
- **Title II, Conservation:** Encourages environmental stewardship and improved management practices through various working lands programs, as well as changes in land use through land retirement and easement programs.
- **Title III, Trade:** Provides support for U.S. agricultural export promotion and export credit guarantee programs as well as international food aid programs that provide emergency and nonemergency foreign food aid. Other provisions address issues related to the World Trade Organization (WTO) obligations.
- **Title IV, Nutrition:** Provides nutrition assistance for low-income households through programs, including the Supplemental Nutrition Assistance Program (SNAP, formerly known as the Food Stamp Program) and emergency food assistance programs. Also supports the distribution of foods in schools.
- **Title V, Credit:** Offers direct government loans to farmers and ranchers and guarantees loans from commercial lenders. Sets eligibility rules and policies.
- **Title VI, Rural Development:** Supports rural business and community development programs. Establishes planning, feasibility assessments, and coordination with other local, state, and federal programs. Programs include grants and loans for infrastructure, economic development, broadband, and telecommunications.
- **Title VII, Research, Extension, and Related Matters:** Offers a wide range of agricultural research and extension programs that expand academic knowledge about agriculture and food and help farmers and ranchers become more efficient, innovative, and productive.
- **Title VIII, Forestry:** Supports forestry management programs run by USDA's Forest Service.
- **Title IX, Energy:** Encourages the development of farm and community renewable energy systems through grants, loan guarantees, and feedstock procurement initiatives. Also facilitates the production, marketing, and processing of advanced biofuels and biofuel feedstocks and research, education, and demonstration programs.
- **Title X, Horticulture:** Supports specialty crops—fruits, vegetables, tree nuts, and floriculture and ornamental products—through a range of initiatives, including market promotion, plant pest and disease prevention, and public research. Also provides support to certified organic agricultural production and locally produced foods.
- **Title XI, Crop Insurance:** Enhances the permanently authorized federal crop insurance program.
- **Title XII, Miscellaneous:** Covers other types of programs including livestock and poultry production and limited-resource and socially disadvantaged farmers.

As the 115th Congress considers a new farm bill, it does so in an economic setting of generally lower farm prices and income for the main commodity crops as well as continued focus on the overall cost of nutrition assistance programs. The largest of these programs—the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program)—accounts for the overwhelming majority of total farm bill spending. At the same time, some groups continue to call for further expansion of the farm bill to create and/or expand support for other competing policy priorities and to address equitability concerns across the nation's farm sectors. These include enhanced support for small and medium-sized farms, specialty crops, cottonseed, organic agriculture, local and regional food systems, urban farming, healthy and nutritious foods, food waste reduction, research, conservation, and rural development, among others. Efforts to reduce overall farm bill costs, given overall constraints on federal spending, may create heightened competition and tension among a range of U.S. farm policy stakeholders. There is also general uncertainty regarding priorities for farm policy under the new Trump Administration.

Potential expiration of the current farm bill and the consequences of allowing it to expire may also motivate legislative action.[2] When a farm bill expires, not all programs are affected equally. Some programs cease to operate unless reauthorized, while others might continue to pay old obligations, as provided under current law. For example, the farm commodity programs would not only expire but revert to permanent law dating back to the 1940s. Nutrition assistance programs require periodic reauthorization, but appropriations can keep them operating. Many discretionary programs would lose statutory authority to receive appropriations, though annual appropriations could provide funding and implicit authorization. Other programs have permanent authority and do not need to be reauthorized (e.g., crop insurance).[3]

Whether to retain the nutrition title in a new farm bill or to consider nutrition programs separately was debated during consideration of the 2014 farm bill. In 2013, after a farm bill with a nutrition title was defeated on the House floor, the House passed the bills separately—a farm bill without a nutrition title and a nutrition-only bill. After the conference committee negotiations began, the bills were joined together.[4] The enacted law included a nutrition title. Some continue to argue for a separate SNAP reauthorization, but many farm and nutrition policy stakeholders argue for retaining the nutrition title in a new farm bill.[5] Farm bills since 1973 have included reauthorization of the Food Stamp Program (renamed SNAP by the 2008 bill). This partnership between nutrition programs and farm programs is generally understood to generate rural and urban support for the farm bill. (For more information, see "Food and Nutrition.")

Budget Situation and Outlook

Budget Basics

As with all areas of the federal budget, agriculture faces spending constraints. Budget issues are usually an important element when debate on a new farm bill begins. Federal spending is divided into two main categories: mandatory and discretionary spending. In the farm bill, mandatory spending—which does not require a separate appropriation—is authorized primarily for the farm commodity programs, crop insurance, nutrition assistance programs, and some conservation and trade programs.[6] Discretionary spending is authorized for everything else that is not considered mandatory spending, including most rural development programs, research and education programs, and agricultural credit. Research, bioenergy, and rural development programs

[2] For example, in 2012, the 112th Congress did not complete a new farm bill to replace the 2008 law, requiring a one-year extension for 2013. The 113th Congress passed reintroduced and revised bills, culminating in the 2014 farm bill. Some programs, though, still ceased to operate during the 2013 extension because they had no funding. For background, see CRS Report R41433, *Programs Without a Budget Baseline at the End of the 2008 Farm Bill*.

[3] For more information on the consequences of expiration, see CRS Report R42442, *Expiration and Extension of the 2008 Farm Bill*.

[4] For more background information, see CRS Report R43076, *The 2014 Farm Bill (P.L. 113-79): Summary and Side-by-Side*.

[5] For further review of this issue, see Parke Wilde, "The Nutrition Title's Long, Sometimes Strained, but Not Yet Broken, Marriage with the Farm Bill," *Choices*, Quarter 4 (2016). See also recommendations by The Heritage Foundation, *Blueprint for a New Administration: Priorities for the President*, chapter on the "Department of Agriculture."

[6] The Commodity Credit Corporation (CCC) is the funding mechanism for most of the various agriculture-related mandatory spending programs, though crop insurance and the nutrition programs and not funded by CCC. The CCC is a wholly owned government corporation that has the legal authority to borrow up to $30 billion at any one time from the U.S. Treasury. For more background, see CRS Report R44606, *The Commodity Credit Corporation: In Brief*.

sometimes secure both types of funding, but most of their funding is discretionary. Programs with discretionary spending are authorized in the farm bill but are paid for separately in annual appropriations under the jurisdiction of the appropriations committees.

Mandatory spending programs often dominate the farm bill debate and its budget. The farm bill "pays" for mandatory spending in addition to determining its policy. These procedures follow a framework of budget enforcement laws that use projected "baseline" and "scores" from the Congressional Budget Office (CBO).[7] An earlier pivotal decision may be whether the multi-year baseline projection, described below, is the appropriate amount for the farm bill or whether more or less spending should be built into the farm bill budget.

The CBO **baseline** is a projection at a particular point in time of what future federal spending on mandatory programs would be assuming current law remains intact. This baseline is the *benchmark* against which proposed changes in law are measured. When a new bill is proposed that would affect mandatory spending, the impact (**score**) is measured in relation to the baseline. Changes that increase spending relative to the baseline have a *positive* score; those that decrease spending relative to the baseline have a *negative* score. Increases in cost above the baseline may be subject to budget constraints such as pay-as-you-go (PAYGO) requirements.[8] Reductions from the baseline may be used to offset other provisions or reduce the deficit.

Having a baseline essentially gives programs built-in future funding if policymakers decide that the programs should continue. Straightforward reauthorization would not have a scoring effect. However, programs without a continuing baseline beyond the end of a farm bill do not have assured future funding.[9] Reauthorization would have a positive score that increases the bill's cost.

2014 Farm Bill Spending

When the 2014 farm bill was enacted, four titles accounted for 99% of anticipated farm bill mandatory spending: nutrition, crop insurance, conservation, and farm commodity support (**Table 1**). The nutrition title, which includes SNAP, comprised 80% of the total. Commodity support and crop insurance combined to be 13% of mandatory spending, with another 6% of costs in USDA conservation programs. The trade title was next in size, providing less than 0.5% of the total.

In dollars, the projected cost of the 2014 farm bill when it was enacted was $484 billion for the largest four titles and $489 billion for all 12 titles (**Table 1**).[10]

In the years since enactment of the farm bill, CBO has updated its projections of government spending based on new information about the economy and program participation.[11] However, reductions in projected farm bill spending since enactment do not generate savings that can be credited elsewhere, and higher-than-projected costs do not imply insufficient resources. Three years after enactment, the current projected cost of the 2014 farm bill is $456 billion for the four largest titles (FY2014-FY2016 actuals, and updated projections for FY2017-FY2018; **Table 1**, **Figure 1**). For the FY2014-FY2018 period, this is $28 billion less (-6%) than what was projected at enactment. Lower farm commodity prices have reduced the projected cost of crop insurance and increased the cost of the counter-cyclical farm subsidies, while lower-than-expected

[7] See CRS Report 98-560, *Baselines and Scorekeeping in the Federal Budget Process*.

[8] See CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*.

[9] See CRS Report R44758, *Farm Bill Programs Without a Budget Baseline Beyond FY2018*.

[10] CBO cost estimate of the Agricultural Act of 2014, January 28, 2014, http://www.cbo.gov/publication/45049.

[11] CBO, *Budget and Economic Outlook*, "10-Year Budget Projections," various updates, https://www.cbo.gov/about/products/budget_economic_data.

enrollment in SNAP has reduced nutrition title costs. These changes reflect shifts in the underlying economy—that is, the farm bill is costing $28 billion less than initially expected.

Table 1. Projected 2014 Farm Bill Outlays, by Title

Five years FY2014-FY2018, millions of dollars

		At enactment, February 2014		Most recently, January 2017	
Farm Bill Titles (sorted)		**Projection for FY2014-18**	**Share**	**Actual FY14-16; Proj. FY2017-18**	**Change since enactment**
IV	Nutrition	390,650	79.9%	364,837	-25,813
XI	Crop Insurance	41,420	8.5%	30,533	-10,887
II	Conservation	28,165	5.8%	24,378	-3,787
I	Commodities and Disaster	23,555	4.8%	36,040	+12,485
Subtotal, 4 largest titles		**483,789**	**99.0%**	**455,787**	**-28,002**
III	Trade	1,782	0.4%	1,530	-251
XII	Miscellaneous, including NAP	1,544	0.3%	na	na
X	Horticulture	874	0.2%	na	na
VII	Research	800	0.2%	na	na
IX	Energy	625	0.1%	na	na
VI	Rural Development	218	0.0%	na	na
VIII	Forestry	8	0.0%	na	na
V	Credit	-1,011	-0.2%	na	na
Total, Direct Spending		**488,629**	**100.0%**	na	na

Source: CRS, using the CBO cost estimate of the Agricultural Act of 2014 (January 28, 2014) and the CBO *Budget and Economic Outlook*, "10-Year Budget Projections," January 2017.

Notes: "na" indicates sufficient detail is not available to compile projections for all titles in non-farm-bill years.

Future Baseline

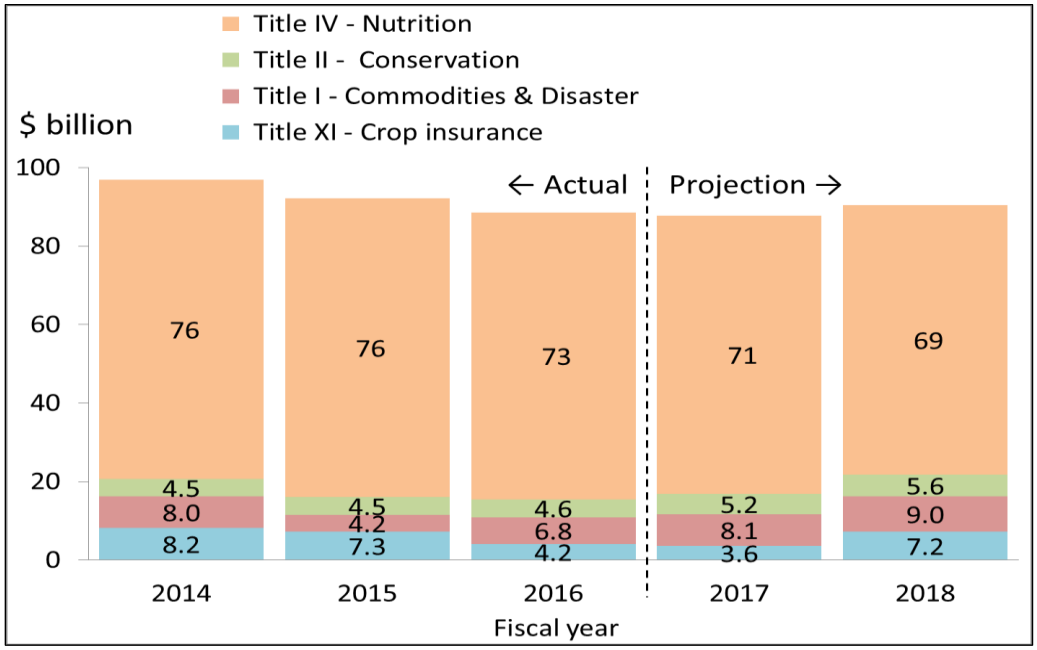
For a new farm bill, there is presently no official baseline covering all titles. The official "scoring baseline" during 2017 would likely be the March 2017 CBO baseline, and a farm bill enacted in 2018 would likely use the March 2018 CBO baseline for the FY2019-FY2028 period. However, early baseline projections indicate a continuation of the economic changes above. The January 2017 CBO baseline projection for the four largest titles of the farm bill (assuming current law continues) is $435 billion over the next five years FY2018-FY2022 and $870 billion for the next 10 years FY2018-FY2027 (**Table 2**). The nutrition title is about 77% of these amounts, compared to about 80% when the 2014 farm bill was enacted. Beyond these four titles, other farm bill programs with baseline can be expected to add about another $4 billion of baseline over the five-year period.

Figure 2 shows how the relative proportions of farm bill spending have shifted over time. The figure combines actual USDA spending data (FY1990-FY2016) and CBO projections for those programs (FY2017 through FY2027). Since 1990, conservation and crop insurance spending have steadily risen as policy and enrollment have increased participation. Farm commodity program spending has risen and fallen with changing market price conditions and policy responses, though costs have generally decreased recently as counter-cyclical payments were smaller due to higher market prices. This trend, however, has reversed at least temporarily in the current projections for

future spending. Nutrition assistance rose sharply after the recession in 2009 but began to decline during the economic recovery and is expected to continue to decline in the near future.

Figure 1. Projected 2014 Farm Bill Outlays, by Title

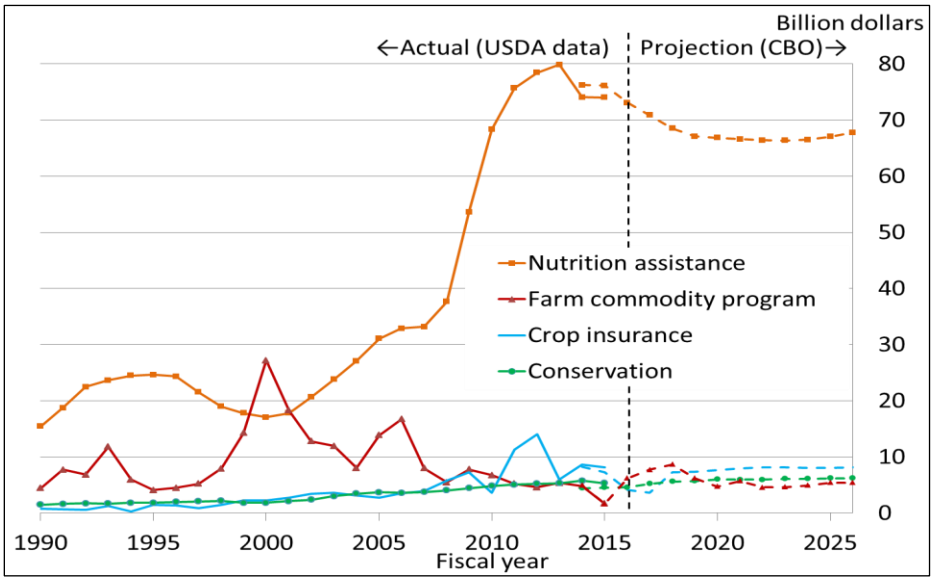
January 2017 CBO baseline (FY2014-FY2016 actual, FY2017-FY2018 projected)



Source: CRS, using CBO *Budget and Economic Outlook*, January 2017.

Figure 2. Actual and Projected Farm Bill Spending by Major Mandatory Programs

Actual FY1990-FY2016 USDA and CBO data; projected FY2017-FY027 CBO baseline



Source: CRS, using USDA data through 2016, and CBO *Budget and Economic Outlook*, January 2017. Break in line reflects difference between actual and projected values.

Table 2. Baseline Projection for Farm Bill Programs, FY2018-FY2027

Estimate as of January 2017, budget outlays, millions of dollars

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2018-FY2022	FY2018-FY2027
Title I: Farm Commodity Programs												
Agricultural Risk Coverage	4,755	3,204	1,973	521	426	442	471	550	550	540	10,880	13,433
Price Loss Coverage	3,721	3,058	2,335	4,898	3,778	3,859	4,131	4,512	4,481	4,102	17,789	38,873
Marketing loans	63	88	59	55	53	53	57	46	53	58	318	585
Dairy	33	68	97	57	96	49	71	77	108	93	351	749
Disaster Payments	348	318	322	326	324	320	315	318	319	331	1,638	3,241
Other, incl. announced sequestration	62	-220	249	204	208	211	209	209	210	226	503	1,569
Subtotal	**8,983**	**6,516**	**5,035**	**6,061**	**4,885**	**4,934**	**5,254**	**5,712**	**5,722**	**5,350**	**31,479**	**58,450**
Title II: Conservation												
Conservation Reserve Program	1,884	1,873	1,987	2,026	2,057	2,102	2,144	2,183	2,199	2,179	9,827	20,634
CRP Technical Assistance	87	48	32	75	72	147	106	169	91	95	314	922
Conservation Security Program	1,626	1,831	2,046	1,889	1,840	1,820	1,771	1,768	1,810	1,812	9,232	18,213
Environmental Quality Incentives Program	1,483	1,549	1,567	1,620	1,661	1,692	1,728	1,741	1,748	1,750	7,880	16,539
Agricultural Conservation Easement Program	369	293	267	262	250	250	250	250	250	250	1,441	2,691
Regional Conservation Partnership Program	108	118	111	99	100	100	100	100	100	100	536	1,036
Agricultural Management Assistance	9	10	10	10	10	10	10	10	10	10	49	99
Other, incl. announced sequestration	42	-25	-26	-26	-12	-6	-8	-7	-7	-7	-47	-82
Subtotal	**5,608**	**5,697**	**5,994**	**5,955**	**5,978**	**6,115**	**6,101**	**6,214**	**6,201**	**6,189**	**29,232**	**60,052**
Title IV: Nutrition (SNAP)	68,525	67,061	66,823	66,579	66,415	66,352	66,498	67,050	67,773	69,282	335,403	672,358
Title XI: Crop Insurance	7,244	7,388	7,673	7,987	8,102	8,113	8,053	8,077	8,168	8,229	38,395	79,033
Subtotal, Four Largest Titles	**90,360**	**86,662**	**85,525**	**86,582**	**85,380**	**85,513**	**85,905**	**87,053**	**87,864**	**89,050**	**434,508**	**869,894**

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2018-FY2022	FY2018-FY2027
Other Programs Not Included Above												
Title III: Trade												
Market Access Program	199	200	200	200	200	200	200	200	200	200	999	1,999
Export Donation Ocean Transportation	100	100	100	100	100	100	100	100	100	100	500	1,000
Foreign Market Development	34	35	35	35	35	35	35	35	35	35	173	345
Specialty Crop Technical Assistance	9	9	9	9	9	9	9	9	9	9	45	90
Title VII: Research												
Specialty Crop Research Initiative	80	80	80	80	80	80	80	80	80	80	400	800
Title IX: Energy												
Rural Energy for America Program	50	50	50	50	50	50	50	50	50	50	250	500
Title X: Horticulture												
Plant Pest and Disease Management	75	75	75	75	75	75	75	75	75	75	375	750
Specialty Crop Block Grants	85	85	85	85	85	85	85	85	85	85	425	850
Organic and Christmas Tree Promotion	7	5	9	10	16	16	16	16	16	16	47	127
Title XII: Miscellaneous												
Miscellaneous (including NAP)	246	230	220	200	200	200	200	200	200	200	1,096	2,096
Subtotal, Other Programs	**885**	**869**	**863**	**844**	**850**	**850**	**850**	**850**	**850**	**850**	**4,310**	**8,557**

Source: Compiled by CRS using the CBO *Budget and Economic Outlook*, "10-Year Budget Projections," January 2017, https://www.cbo.gov/publication/52370; the text of the Agricultural Act of 2014 (P.L. 113-79); and the CBO score of the Agricultural Act of 2014, January 28, 2014, https://www.cbo.gov/publication/45049.

Notes: There is no official total yet for the baseline across all titles of the farm bill. The official scoring baseline for legislation during 2017 would likely be the March 2017 CBO baseline, and a farm bill enacted in 2018 would likely use the March 2018 CBO baseline for a different period. The January 2017 CBO baseline used here covers the projection for the farm commodity programs, conservation, trade, crop insurance, and nutrition programs. CRS compiled this table by grouping programs in the available baseline by title and augmenting it with programs from other titles of the 2014 farm bill that are known to have baseline beyond FY2018. It excludes projected outlays during the period for expiring farm bill programs that do not have a continuing baseline beyond FY2018 (see CRS Report R44758, *Farm Bill Programs Without a Budget Baseline Beyond FY2018*).

Related CRS Reports

- CRS Report R44758, *Farm Bill Programs Without a Budget Baseline Beyond FY2018*
- CRS Report R44588, *Agriculture and Related Agencies: FY2017 Appropriations*
- CRS Report R44606, *The Commodity Credit Corporation: In Brief*

Farm Economy and International Environment

The U.S. agricultural sector experienced a golden period from 2010 to 2014, driven largely by strong commodity prices and agricultural exports. This period included a four-year run of record farm income and land values that culminated with the enactment of the 2014 farm bill. Since 2014, the U.S. farm economic outlook has changed dramatically. Bountiful U.S. crop harvests and fading international demand prospects have put downward pressure on commodity prices, farm incomes, and asset values while raising farm sector debt and debt-to-asset ratios. USDA projects that U.S. net farm income—a key indicator of U.S. farm well-being—will fall to $62.3 billion in 2017, down 9% from 2016 and down 50% from 2013's record of $123.7 billion. The 2017 forecast would represent the third year of decline and would be the lowest national net farm income since 2002.

The forecast for lower net farm income is primarily the result of the outlook for both lower crop and livestock receipts. Record grain, oilseed, and meat supplies in 2016 have depressed prices for most commodities—especially when compared with the period of 2011-2013, when prices for many major commodities experienced record or near-record highs. Agricultural exports were projected higher in 2017 at $134 billion, up 3% from 2016 but well below 2014's record $152.3 billion—due largely to a strong U.S. dollar coupled with a continued weak economic outlook in several major foreign importing countries. Despite the year-over-year decline, U.S. agricultural exports are still projected to account for over 30% of farm sector gross earnings in 2017.[12]

Farm wealth is also projected to decline for a third year in 2017 (down about 1% from 2016) to $2,836 billion. Farm asset values reflect farm investors' and lenders' expectations about long-term profitability of farm sector investments. The outlook for lower commodity prices and the expected decline from the past four years' strong outlook for the general farm economy have reversed the growth of farmland values. Because they comprise such a significant portion of the U.S. farm sector's asset base, change in farmland values is a critical barometer of the farm sector's financial performance. Farm credit conditions also appear to be deteriorating: Loan delinquencies and requests for loan extensions are increasing, and interest rates are rising.

Despite the downturn in the U.S. agricultural sector's financial outlook, it is still outperforming U.S. households in general. At the farm-household level, average farm household incomes have been well ahead of average U.S. household incomes since the late 1990s. In 2015 (the last year with comparable data), the average farm household income (including off-farm income sources) of $119,880 was about 51% higher than the average U.S. household income of $79,263.[13]

The outlook for lower commodity prices and farm income and wealth suggests a weakening financial picture for the agricultural sector heading into 2017 but with substantial regional variation. Relatively weak prices for most major program crops and livestock products signal tougher times ahead for agricultural producers and are expected to trigger substantial payments under the new safety net programs of the 2014 farm bill. However, actual 2017 agricultural

[12] ERS, *Outlook for U.S. Agricultural Trade*, AES-98, February 23, 2017; 2017 is a projection.

[13] ERS, "2017 Farm Income Forecast," February 7, 2017; 2015 is the last year with comparable data.

economic well-being will hinge on crop harvests and prices, as well as domestic and international macroeconomic factors, including economic growth and consumer demand.

Related CRS Report

- CRS Report R40152, *U.S. Farm Income Outlook for 2017*

Farm Safety Net Programs

The federal government supports farm income and helps farmers manage risks associated with variability in crop yields and prices through a collection of programs often referred to as the "farm safety net."[14] These programs include (1) commodity-based revenue support programs, which are reauthorized by periodic farm bills (most recently by Title I of the 2014 farm bill); (2) disaster assistance programs, which were permanently authorized by the 2014 farm bill; and (3) federal crop insurance, which is permanently authorized under the Federal Crop Insurance Act of 1980. Each of these three components is covered in this section and summarized in **Table 3**. Through the first three years of the 2014 farm bill (2014 to 2016), USDA estimates the cost of farm safety net programs at $14.2 billion per year ($5.2 billion for commodity programs, $2.4 billion for disaster assistance, and $6.6 billion for crop insurance).[15]

Most of the cost for the farm safety net is traditionally attributed to a few major crops. For example, CBO projects that corn (48%), wheat (14%), soybeans (13%), rice (7%), peanuts (7%), and sorghum (3%) will cumulatively account for 91% of commodity program payments under revenue support programs in FY2017. Similarly, in 2016 four crops accounted for 77% of crop insurance premium subsidies: corn (38%), soybeans (20%), wheat (12%), and cotton (8%).[16] Although these seven crops receive a majority of farm program support, they do not constitute a majority of farm output value: From 2010 to 2016, these crops accounted for 32% of total farm receipts (including fruits and vegetables, livestock, dairy, and poultry).

Farm support began with the 1930s Depression-era efforts to generally raise farm household income when commodity prices were low because of prolonged weak consumer demand. While initially intended to be a temporary effort, the commodity support programs survived but have been modified away from supply control and management of commodity stocks to direct revenue support payments. Similarly, federal crop insurance has expanded over the decades, with expanded commodity coverage and increased producer subsidies.

Effectiveness of the Current Farm Safety Net

Many policymakers and farmers consider federal support of farm businesses necessary for financial survival, given the unpredictable nature of agricultural production and markets. Yet some producers have criticized farm safety net programs for being too slow to respond to disasters, for not being well integrated, or for not providing adequate risk protection.

[14] While many critics of farm subsidies take issue with what does and does not constitute a safety net and whether current farm programs actually perform as such, the term *safety net* is used here for all farm commodity and risk management programs as a catchall descriptor rather than as an assessment of the merits.

[15] Farm program outlays are from ERS, "Farm Sector Income and Finances: 2016 Farm Sector Income Forecast," November 30, 2016. Crop insurance outlays are from USDA, Risk Management Agency (RMA), Program Costs and Outlays; and CBO, USDA budget baseline, January 2017.

[16] Crop value and area planted are key determinants of total premium values. RMA, Summary of Business data, downloaded January 23, 2017, http://www.rma.usda.gov/data/sob.html.

In contrast, long-time farm program critics question the need for any farm subsidies, contending that government funding could be better spent advancing environmental goals or improving productivity. Many environmental groups argue that subsidies encourage overproduction on environmentally fragile land. Others cite economic arguments against the programs—that they are a market-distorting use of taxpayer dollars, capitalize benefits to the owners of the resources, encourage concentration of production, favor large-scale farming at the expense of small or beginning farms, pay benefits to high-income recipients or when there are no losses, and harm farmers in lower-income foreign nations.

Congressional limits on the federal budget, particularly constraints on new spending, could play an important role in the policy design of the farm safety net in a new farm bill. Several other critical policy issues and options have emerged that are also likely to factor into the debate shaping a new farm bill. These issues include the general perception that the current suite of safety net programs is failing to provide a sufficient safety net for both cotton producers and dairy operations. In addition, the current policy design favors planting peanuts on generic base acres despite market incentives to the contrary: In the past, policymakers have expressed their intent to avoid such market distortions in the farm safety net design. Also, large county-level variations in Agricultural Risk Coverage at the county level (ARC-CO) program—attributable to county yield data shortcomings—have emerged in 2014 and 2015 payments and could be addressed by a new farm bill. Additional issues and options for a new farm bill are discussed in the report sections titled "Budget Considerations" and "Commodities Covered Under Safety Net Programs."

Program Design and Operation

Commodity Programs

The commodity provisions of the 2014 farm bill provide support for 26 farm commodities including food grains, feed grains, oilseeds, upland cotton, peanuts, pulse crops, and milk.[17] Producers of program commodities are eligible for a variety of payments, much of which is financed through mandatory funding by USDA's Commodity Credit Corporation (**Table 3**).

Revenue support programs include ARC and the Price Loss Coverage (PLC) programs created under the 2014 farm bill. PLC is a revamped version of the counter-cyclical price support program from the 2008 farm bill, but it relies on elevated support prices. ARC is a shallow-loss revenue program that uses five-year Olympic moving averages of historical data[18] for national farm prices and county yields to determine a revenue guarantee. The ARC program is available at either the county level for individual commodities (ARC-CO) or the farm level (ARC-IC) on a whole farm basis for all program crops. Both ARC and PLC make payments on a delayed basis, because their payment formulas require an entire marketing year worth of monthly price data. For example, for corn grown and harvested in 2016, complete data for the season-average farm price are not available until September 2017, and payments are made after October 1, 2017.

[17] Food grains include wheat and rice, and feed grains include corn, sorghum, barley, and oats. Oilseeds include soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, and sesame seed. Pulse crops include dry peas, lentils, small chickpeas, and large chickpeas.

[18] Refers to removing data for the high and low years then averaging the remaining three years of data.

Table 3. Farm Safety Net Programs
(authorized under the 2014 farm bill and other legislation)

Program Instrument	Commodity Coverage	Program Description and Projected Outlays ($13.9 bil./yr.)
Commodity Programs		**Projected Avg. Outlays FY2017-FY2027: ($5.7 bil./yr.)**
1. Price Loss Coverage (PLC)[a]	Wheat, corn, grain sorghum, oats, barley, long grain rice, medium grain rice, pulse crops (dry peas, lentils, small chickpeas, and large chickpeas), soybeans, sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, sesame seed, and peanuts. Excludes upland cotton.[b]	Payments made if national season-average farm price (SAFP) is below statutory reference price (PLC). The per-unit payment rate equals the PLC minus the higher of the SAFP or the crop market loan rate (fixed in statute by the farm bill). Payments made on 85% of historical program (base) acres times historical program yield. No participation fee. ($3.7 billion/yr.)
2. Agricultural Risk Coverage (ARC-CO) county-level program	Same crops as PLC.	Payments made if actual crop revenue based on national SAFP and county yield is below a guarantee (equal to 86% of historical revenue using previous five-year Olympic moving averages of national SAFP and county yield). Per-unit payment rate equals difference between the actual crop revenue and the guarantee. Payments made on 85% of base acres. No participation fee. ($1.7 billion/yr.)
3. Agricultural Risk Coverage (ARC-IC) farm-level program	Same crops as PLC.	Payments made if cumulative farm revenue (as defined by ARC-CO) for all program crops is below guarantee based on 86% of historical cumulative revenue for each crop. Payments made on 65% of base acres. No participation fee. ($21 million/yr.)
4. Marketing Assistance Loan benefits[c]	Same crops as for PLC and ARC, plus upland cotton, extra-long staple cotton, wool, mohair, and honey.	Nine-month nonrecourse loan[d] at a per-unit loan rate (fixed in statute), based on actual production. Producers may repay loan at below value if crop's market price is lower than its loan rate (called a market loan gain) or take a cash payment equal to difference (loan deficiency payment). Farmer chooses timing. ($65 million/yr.)
5. Nonrecourse loans, marketing allotments, and import quotas	Refined beet sugar and raw cane sugar.	Price guarantee for refined beet sugar and raw cane sugar; limits on sales of domestically produced sugar. ($0, designed to be no-net cost to federal budget; instead costs are borne by consumers.)
6. Dairy Margin Protection Program (MPP)	Milk.	MPP payments made if actual two-month average margin (milk price minus feed cost) is below producer-selected threshold ranging from $4/cwt. to $8/cwt. Signup fee of $100 plus statutorily fixed premium for coverage selected by producer. ($74 million/yr.)
6. Dairy Product Donation Program (DPDP)	Milk.	DPDP requires USDA to procure and distribute (to low-income groups) certain dairy products when the MPP margin falls below $4/cwt. for two consecutive months. DPDP purchases end after three months or if the U.S. price for certain dairy products is significantly above world prices. ($7 million/yr.)

Program Instrument	Commodity Coverage	Program Description and Projected Outlays ($13.9 bil./yr.)
Crop Insurance, STAX, SCO, and NAP		**Projected Avg. Outlays FY2017-FY2027: ($7.9 bil./yr.)**
7. Crop insurance	More than 100 crops, including commodity program crops, specialty crops (fruits, tree nuts, vegetables, and nursery crops), pasture, rangeland, and forage crops, and livestock margins.	Indemnities paid when yield or revenue drops below guarantees established prior to planting. Coverage level (50%-85%) selected by producer and based on expected prices, farm and/or area yield, and farm revenue. Loss is at field or county level, depending on policy. Insurance premiums are subsidized at an average 62% rate. ($7.9 billion/yr.)
8. Stacked Income Protection Plan (STAX)	Upland cotton.	A revenue-based, area-wide crop insurance policy that may be purchased as a stand-alone policy for primary coverage or purchased in tandem with an individual farm loss policy or area policy. STAX indemnifies losses in county revenue of greater than 10% of expected revenue (up to an underlying policy's insurance deductible if coupled) but not more than 30%. Insurance premiums are subsidized at 80% rate. ($86 million/yr.)
9. Supplemental Coverage Option (SCO)	Program crops enrolled in PLC.	SCO must be purchased in conjunction with a traditional crop insurance policy. Indemnities are triggered by losses greater than 14% up to the underlying policy's insurance deductible on an area-wide basis only. SCO mimics the coverage, either yield or revenue, offered by the underlying insurance policy. Insurance premiums are subsidized at 65% rate. (No cost estimate.)
10. Noninsured Crop Disaster Assistance Program (NAP)	Crops not covered by crop insurance.	Payments for losses in excess of 50%. Participation fee of $250 per crop plus a charge for higher coverage. (No cost estimate.)
Disaster Assistance		**Projected Avg. Outlays FY2017-FY2027: ($0.3 bil./yr.)**
11. Supplemental Agricultural Disaster Assistance Programs[e] (no disaster designation required)	Beef/dairy cattle, bison, poultry, sheep, swine, horses, other livestock, honeybees, farm-raised fish, and trees/bushes/vines producing an annual crop.	Payment for excess livestock mortality (LIP), grazing losses (LFP), other losses (ELAP), and excess fruit tree/vine mortality (TAP). No participation fee
12. Emergency Loans (EM) (requires disaster designation)	Crops and livestock (also physical losses to real estate).	Low-interest loans for producers in a disaster county and not eligible for commercial credit. Producers repay interest/principal in one to seven years (longer for real estate).

Source: CRS, using outlays from January 2017 CBO baseline for FY2017-FY2027.

Notes: The term *safety net* is used broadly here and does not assess the merits of the various programs. Not shown is additional support for dairy and sugar producers through import restrictions.

a. Producers were give a one-time choice—to last for the duration of the 2014 farm bill (2014-2018)—for how to allocate their historical base acres by program crops and by either PLC or county-level ARC for each crop or individual ARC, which covers all crops with a single farm-level revenue guarantee.

b. Upland cotton was removed from eligibility for Title I revenue support programs by the 2014 farm bill. However, upland cotton remains eligible for support under both the marketing assistance loan and crop insurance programs including STAX.

c. Four types of benefits are obtainable under the marketing assistance loan program: loan deficiency payments (LDPs), marketing loan gains (MLGs), gains derived from use of commodity certificates, and benefits derived from forfeiting to USDA the quantity of a commodity pledged as collateral for a nonrecourse loan.

d. Under a nonrecourse loan, farmers have the option of forfeiting their collateral (i.e., the underlying crop), in payment of the loan rather than repaying the loan's principal and interest.

e. The four additional disaster programs cited above include the Livestock Indemnity Program (LIP); the Livestock Forage Disaster Program (LFP); the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and the Tree Assistance Program (TAP).

In addition to ARC and PLC, producers of an expanded list of other "loan commodities"[19] are eligible for benefits under nonrecourse marketing assistance loans (MALs).[20] Current farm law also mandates that raw cane and refined beet sugar prices are supported through a combination of limits on domestic output that can be sold for human use, nonrecourse loans for domestic sugar, and quotas that limit imports.

The 2014 farm bill made significant changes to the structure of U.S. dairy support programs, including the elimination of several major farm revenue support programs from the 2008 farm bill and their replacement by two new support programs: the Margin Protection Program (MPP) and the Dairy Product Donation Program (DPDP). The MPP is a voluntary program that makes payments to participating farmers when a formula-based national margin—calculated as the national average farm price for all milk[21] minus a national-average feed cost ration[22]—falls below a producer-selected insured margin that can range from $4.00 per hundredweight (cwt.) to $8.00/cwt. Milk producers must pay an annual administrative fee of $100 for each participating dairy operation and statutorily fixed premiums that rise steadily for higher margin protection levels and greater volumes of insured milk.

In contrast to producers of traditional farm bill commodities, producers of specialty crops (e.g., fruits, vegetables, and tree nuts) and livestock have generally received little or no direct government support through commodity programs. Instead, these commodities benefit from federal investments in agricultural research and extension programs and from federal support for food and nutrition programs. These farms may manage risks through business diversification, purchase of federal crop insurance, and participation in federal disaster assistance programs.

Crop Insurance

The federal crop insurance program provides risk management tools to address losses in revenue or crop yield—revenue policies represent about 77% of total premiums; yield policies about 23%. Federally subsidized policies protect producers against losses during a particular season, with price guarantee levels established early in the year using the preplanting values of harvest-time futures contracts. This is in contrast to commodity programs, where protection levels are fixed in statute (e.g., PLC reference prices and MAL loan rates) or use five-year Olympic moving average data for national farm prices and county yields to determine a revenue guarantee (e.g., ARC-CO).

Federal crop insurance has grown in importance as a farm risk management tool since the early 1990s, due in large part to increasing federal subsidy intervention.[23] The federal government pays

[19] The additional "loan-only" commodities are extra-long staple and upland cotton, wool, mohair, and honey.

[20] A MAL provides interim financing in the form of a nonrecourse government loan for up to nine months for participating producers following harvest of their crops. The loan rates, which vary by program crop, are statutorily fixed prices per unit of production (7 U.S.C. 9032) as set by periodic farm bills. Under a nonrecourse loan, farmers have the option of forfeiting their collateral (i.e., the underlying crop) in payment of the loan rather than repaying the loan's principal and interest.

[21] "All milk" represents the average price for all milk sold by producers irrespective of the end use—whether for fluid milk consumption or for processing into butter, cheese, powder, or soft products such as ice cream or yogurt.

[22] The feed-cost ration is determined by a statutorily fixed formula set by the 2014 farm bill that uses USDA national average farm prices to calculate a value.

[23] Insurance policies are serviced through approved private insurance companies. Independent insurance agents are paid sales commissions by the companies. The insurance companies' losses are partially reinsured by USDA, and their

about 62%, on average, of the farmer's crop insurance premium. Thus, as both participation in crop insurance programs and the value of insured crops have grown over time, so too has the absolute level of federal premium subsidies. From 2006 through 2015, the federal crop insurance program cost taxpayers, on average, $7.2 billion per year, including premium subsidies of $5.6 billion, administrative and delivery support of $1.4 billion, and other costs of $0.2 billion.[24]

Crop insurance has perhaps the widest commodity and regional coverage of any federal farm program. In 2016, crop insurance policies covered 290 million acres and more than 100 commodities including fruit trees, nursery crops, dairy and livestock margins, pasture, rangeland, and forage. Major field crops such as corn, soybeans, wheat, and cotton are covered in most counties where they are grown, and crop insurance covers at least 85% of planted acres for each of these crops. Crop insurance is also available for over 80 specialty crops. In 2014, specialty crop policies covered more than 7.7 million acres, which constituted 53% to 75% of specialty crop area, depending on how total area is calculated.

A prominent crop insurance feature of the 2014 farm bill is the authorization of two new policies designed to reimburse "shallow losses"—an insured producer's out-of-pocket loss associated with the policy deductible—STAX and SCO. STAX is made available for upland cotton producers, while SCO is made available for other crops. STAX, or the Stacked Income Protection Plan, was created in response to upland cotton's removal from eligibility for Title I revenue support programs as the result of a final ruling from a World Trade Organization (WTO) dispute settlement case successfully brought by Brazil against U.S. cotton support programs.

To address conservation concerns, the 2014 farm bill links eligibility for crop insurance premium subsidies to compliance with wetland and conservation requirements for highly erodible land. Also, crop insurance subsidies are reduced for plantings on native sod acreage in certain states.

Disaster Assistance

The 2014 farm bill permanently authorized four agricultural disaster programs for livestock and fruit trees: (1) the Livestock Indemnity Program (LIP); (2) the Livestock Forage Disaster Program (LFP); (3) the Emergency Assistance for Livestock, Honey Bees, and Farm-Raised Fish Program (ELAP); and (4) the Tree Assistance Program (TAP). The programs provide compensation for a portion of lost production following a natural disaster. These programs, originally established in the 2008 farm bill for only four years, were authorized retroactively (with no expiration date) to cover losses beginning in FY2012.

All programs except ELAP receive uncapped mandatory funding via the CCC. That is, LIP, LFP, and TAP receive "such sums as necessary" to reimburse eligible producers for their losses. ELAP is capped at $20 million per year, and loss payments are reduced in order to fit under the cap.

The four permanent disaster assistance programs (LIP, LFP, ELAP, and TAP) in combination with federal crop insurance and the Noninsured Crop Disaster Assistance Program (NAP) cover nearly the entire U.S. farm sector with a permanent disaster program. This broad array of disaster

administrative and operating costs are reimbursed by the government. The program is administered by the Risk Management Agency (RMA) and financed through USDA's Federal Crop Insurance Corporation (FCIC). Separately, the Noninsured Crop Disaster Assistance Program (NAP), administered by USDA's Farm Service Agency (FSA), attempts to fill in the gaps in catastrophic coverage in counties where crop insurance policies are not offered.

[24] RMA, Program Costs and Outlays, "Crop Year Government Cost of Federal Crop Insurance," June 27, 2016, http://www.rma.usda.gov/aboutrma/budget/costsoutlays.html.

support reduces the potential need for emergency assistance that Congress previously provided to farmers and ranchers in the form of ad hoc disaster payments.[25]

Budget Considerations

CBO periodically undertakes 10-year baseline projections for the total cost of mandatory USDA programs under the assumption that current legislation remains intact for the projection period. The 2014 farm bill expires at the end of 2018 (calendar year for dairy and marketing year for program crops) unless it is reauthorized. If a new farm bill is finalized by 2018, then the CBO baseline budget projection for FY2019-FY2028 produced in March 2018 would provide the official benchmark used to write such a new farm bill.

The CBO score establishes a baseline against which policy proposals are measured for their budgetary impact. The CBO baseline score for agricultural programs is particularly important under current PAYGO restrictions,[26] because it represents the pool of money available for farm safety net programs including both commodity and crop insurance programs. Under PAYGO, any changes to the farm bill—including the farm safety net and other programs—must either fit within the CBO baseline score or find equivalent offsets within the larger federal budget score.[27]

As with most farm bills, a critical factor in determining the baseline budget for a new farm bill will be the price outlook for the program crops. Since payments under both the revenue-support programs—ARC and PLC—and the marketing assistance loan program are counter-cyclical to market conditions, an outlook for low commodity prices relative to program support levels could result in CBO projections of higher annual farm program outlays. A large CBO projected baseline could provide policymakers with greater flexibility in redesigning the farm safety net if they are so inclined.

Currently, CBO projects farm program outlays for FY2017-FY2027 at about $14 billion per year on average—including $5.5 billion for commodity programs, $7.9 billion for crop insurance, and $0.3 billion for annual disaster assistance.[28] These projections compare with the final CBO score for the 2014 farm bill of $13.4 billion in average annual outlays for the farm safety net, including $4.4 billion annually for commodity programs (plus disaster assistance) and $9.0 billion for crop insurance.[29] Thus, commodity programs are currently costing about $1 billion more per year on average than projected, while crop insurance is averaging about $1 billion less. Actual historical outlays during FY2006 to FY2014 were higher still at $15.4 billion per year on average—$6.7 billion for commodity programs, $7.1 billion for crop insurance, and $1.7 billion for disaster assistance.[30] The highest combined outlay for USDA safety net programs was recorded in FY2005 at $24.8 billion.

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[25] Agricultural disaster assistance programs are discussed in CRS Report RS21212, *Agricultural Disaster Assistance*.

[26] PAYGO generally requires that direct spending and revenue legislation enacted into law not increase the deficit. It does not address deficit increases that are projected to occur under existing law, nor does it apply to discretionary spending. See CRS Report R41157, *The Statutory Pay-As-You-Go Act of 2010: Summary and Legislative History*.

[27] The concepts of a CBO score, PAYGO, and budget offsets are described in more detail in CRS Report R42484, *Budget Issues That Shaped the 2014 Farm Bill*.

[28] CBO, USDA baseline for mandatory programs, January 2017.

[29] CBO, USDA baseline for mandatory programs, January 2014.

[30] Calculations by CRS using data from ERS, "Farm Sector Income and Finances: 2016 Farm Sector Income Forecast," November 30, 2016; and RMA, Summary of Business data, downloaded January 23, 2017, http://www.rma.usda.gov/data/sob.html.

Commodities Covered Under Safety Net Programs

The extent of current commodity coverage of the farm safety net is primarily a result of the historical and evolving nature of farm policy. Producers of major commodities have benefited the most from farm programs because farmers and policymakers representing those commodities shaped the programs from their inception. Since then, other commodity advocates have not had the interest or sufficient political support to add their commodities to the mix. Coverage could be increased by enhancing crop insurance for nonprogram crops, developing a new whole-farm revenue support program that would encompass all crops grown on a farm or revising the current whole-farm insurance product so it would be more widely accepted by producers.

Role of Cotton in the Next Farm Safety Net

Perhaps the most notable omission from eligibility for the Title I revenue support programs (ARC and PLC) is upland cotton, which, as mentioned earlier, was removed from eligibility under the 2014 farm bill in response to a WTO dispute settlement case. Instead, cotton producers were given their own insurance-based program—STAX. In contrast to the revenue guarantees available under ARC and PLC, which have a statutorily fixed lower bound, the revenue guarantee under STAX is recalculated each year. Thus it decreases following consecutive years of market declines—as has been the case since 2014. Many cotton producers contend that STAX is both expensive and ineffective, since the STAX revenue guarantee has fallen below their cost of production and, thus, no longer serves as a useful safety net. This perception has contributed to low participation: In 2016, only 25% of cotton-planted acres were insured under STAX.

In 2016, the U.S. cotton sector requested that USDA designate cottonseed as an "other oilseed," thus allowing cottonseed to be eligible for the ARC and PLC payments. However, then-Secretary of Agriculture Tom Vilsack contended that he did not have such authority. Furthermore, some argued that designating cottonseed as a program crop would constitute reopening the 2014 farm bill and could have substantial costs associated with such a decision. According to news reports, USDA's internal estimates in early 2016 projected related costs in excess of $1 billion (or about $100 per acre) annually. Such potentially large support payments could significantly affect producer crop choices and could attract the attention of other WTO members, including Brazil.

Generic Base Issue and Peanuts

In response to the removal of cotton from eligibility for ARC and PLC payments, the 2014 farm bill reclassified former cotton base acres from the 2008 farm bill as "generic" base acres. Generic base acres are added to a producer's total base for potential payments but only if a program-eligible crop is planted on them. In other words, ARC and PLC payments on generic base acres are coupled to actual plantings. As a result, a combination of market conditions and government program incentives determine producer planting choices on generic base. Because of a favorable advantage stemming from peanuts' disproportionately high PLC reference price relative to both other program crop reference prices and to current market conditions, peanut production is favored on generic base acres over other crops. This unintended outcome has resulted in the outlook for large government payments to peanut producers relative to other crops: CBO projects annual USDA peanut program outlays (ARC, PLC, and MAL combined) of $580 million, or $349 per harvested acre, through 2027.[31] This compares with CBO projected program payments of $30 per harvested acre for corn, $7 for soybeans, $32 for wheat, and $199 for rice.

[31] CBO, USDA baseline for mandatory programs, January 2017.

Dairy Margin Protection Program (MPP)

The U.S. dairy industry, like the agriculture sector in general, has experienced a sharp downturn in both market and financial conditions the past two years. Despite a significant drop in milk prices, minimal support payments have been made under MPP through the first three years of operation (and these have been largely offset by producer-paid premiums). By June 2016, farm-level milk prices had fallen by 42% from their September 2014 high. However, this output price decline was largely offset by a similar decline for major feed grain prices, thus preventing the MPP margin from falling below meaningful program payment triggers. As a result, the dairy sector has expressed widespread dissatisfaction with the program. In 2016, 54% of dairy operations were enrolled in MPP, and most of those (77%) were enrolled at the minimum $4.00/cwt. catastrophic level, thus missing out on MPP payments made when the margin briefly fell below the $6.00/cwt. threshold in May-June 2016.

ARC Yield Calculation Issue

Significant discrepancies in county-level payments for 2014 and 2015 were discovered under the ARC-CO program due, in part, to how USDA's National Agricultural Statistics Service (NASS) calculates average county yields. NASS relies on a cascading sequence of prioritized county-level data for its calculations. With respect to ARC-CO revenue calculations, the top data priority is based on NASS surveys of producers in counties with production of major program crops to obtain estimates of planted and harvested area, yields, and production. USDA currently requires that the NASS survey yield estimate be used if there are at least 30 producer survey responses or when survey responses represent at least 25% of a county's harvested acreage. If neither of these conditions is met, then the NASS county yield estimate is based on crop insurance data held by RMA. A comparison of the two estimates suggests that RMA yields are frequently higher than NASS yields. As a result, payments to producers in counties where RMA yields are used can be substantially lower than payments in counties using NASS yields. USDA is under no legislative requirement or guidance for this cascade policy. With no short-term fix in sight, the issue of substantial disparities in payment rates may reemerge for ARC-CO crop payments in future years. Barring any near-term fix by USDA, lawmakers could address county-to-county payment disparities in the context of a new farm bill.

Farm Program Reallocation: ARC versus PLC

Under the 2014 farm bill, producers were give a one-time choice that would last for the duration of the 2014 farm bill (2014 through 2018) for how to allocate their historical base acres across crops and by program: ARC or PLC. Most corn (93%) and soybean (97%) base acres opted for ARC-CO, while most rice (99%), peanut (100%), and barley (75%) base acres were placed under PLC. Wheat base acres were divided: 56% selected ARC-CO, 43% PLC. Less than 1% of all farms selected ARC-IC. It is unknown if a new farm bill will retain the ARC and PLC programs and, if so, whether farmers will be given a new opportunity to reallocate their base acres between the two revenue programs. However, current market conditions and the long-term outlook for relatively low prices tend to favor PLC for all program crops. CBO projections assume that participating farmers can reallocate their base acres among PLC, ARC-CO, and ARC-IC in 2019 and that most farmers significantly expand their base acres signed up under PLC: corn producers shift from a 7% share to 82%, soybeans from 3% to 49%, and wheat from 43% to 82%, according to CBO's January 2017 baseline. As a result, the CBO projections show PLC outlays exceeding ARC outlays by 2020.

Sugar Program

Unlike other commodity programs in the 2014 farm bill, Congress reauthorized the sugar program with no changes. Also, in contrast to dairy and other commodity programs, Congress structured the sugar program to operate at no cost to the federal government—an objective that has been largely achieved over the last decade with the exception of the 2012/2013 crop year, when low sugar prices triggered forfeitures under the program, resulting in federal outlays of $259 million. An issue that is currently outside the purview of the farm bill but could influence the debate over the U.S. sugar program is trade in imported sugar from Mexico. Subsequent to the enactment of the 2014 farm bill, the United States and Mexico reached agreements that regulated bilateral trade in Mexican sugar, including setting volume limits and minimum export prices and other parameters around this trade that are unique in the U.S. sugar market.

The U.S.-Mexico sugar suspension agreements are controversial. A broad cross-section of participants in the U.S. sugar market have asserted that the agreements are not working as intended and may not have succeeded in entirely eliminating the injury caused to U.S. sugar interests. These stakeholders also contend that these agreements could undermine various objectives of the U.S. sugar program—including that it operate at no cost—if market distortions created by these agreements trigger forfeitures of domestic sugar leading to government outlays. Given the importance of Mexican sugar as a source of supply to the U.S. sugar market, revising the agreements, withdrawing from them, or allowing them to remain in force as agreed upon in December 2014 could each have implications for the program.

As concerns the sugar program itself, sugar producers and processors—as represented by the American Sugar Alliance—have favored retaining the current program structure. They contend that it should not be eliminated prior to addressing foreign sugar subsidies that distort the world sugar market and thus pose a threat to efficient U.S. producers. Sugar users generally view the current program as overly prescriptive, which they argue has led to overly tight supplies and elevated prices in the domestic market. They advocate for providing USDA with greater program flexibility for managing domestic sugar supplies and allocating import quotas.

Program Payment Limits and Farm Size

Payment limits for the farm commodity programs, with the exception of the marketing assistance loan program, either set the maximum amount of farm program payments that a person can receive per year or set the maximum amount of income that an individual can earn and still remain eligible for program benefits (i.e., a means test). The payment limits issue is controversial, because it directly addresses questions about the size of farms that should be supported, whether payments should be proportional to production or limited per individual, and who should receive payments. Some policymakers want limits to be tightened in order to save money, to respond to general public concerns overpayments to large farms, and to reduce the possibility of encouraging expansion of large farms at the expense of small farms. Others say larger farms should not be penalized for the economies of size and efficiencies they have achieved. Crop insurance has no payment limits, a feature that some policymakers say makes crop insurance an attractive centerpiece of farm policy because it helps small and large farms alike, with neither apparently gaining at the expense of the other.

Farm Policy Alignment with U.S. Trade Commitments

Trade plays a critical role in the U.S. agricultural sector: Exports account for over 30% of U.S. farm sector gross earnings. As a WTO member, the United States has committed to abide by WTO rules and disciplines, including those that govern domestic farm policy. Because the United

States plays such an important role in so many global agricultural markets, its farm policy is often subject to intense scrutiny, particularly for compliance with current WTO rules—as evidenced by the 2009 WTO challenge successfully brought by Brazil against U.S. cotton support programs.[32] In particular, the United States faces pressure to minimize any "trade-distorting" incentives inherent in its farm safety net programs.

CBO projections suggest that the United States is unlikely to violate its WTO spending limit of $19.1 billion for nonexempt, trade-distorting amber box outlays. Perhaps more relevant to U.S. agricultural trade is the concern that, because the United States plays such a prominent role in most international markets for agricultural products, any distortion resulting from U.S. policy would be both visible and vulnerable to challenge under WTO rules. An unexpected period of extended low market prices in future years could generate substantial PLC and/or ARC-CO outlays and lead to a potential challenge, particularly if the current farm safety net structure is retained under a new farm bill.

Effectiveness of the Current Farm Safety Net

Some producers have criticized farm safety net programs for being too slow to respond to disasters, for not being well integrated, or for not providing adequate risk protection. In contrast, long-time farm program critics question the need for any farm subsidies, contending that government funding could be better spent advancing environmental goals or improving productivity. Others cite economic arguments against the programs—that they distort production, capitalize benefits to the owners of the resources, encourage concentration of production, harm smaller domestic producers and farmers in lower-income foreign nations, and pay benefits to high-income recipients or when there are no losses.

Related CRS Reports

- CRS Report R43758, *Farm Safety Net Programs: Background and Issues*
- CRS Report R43448, *Farm Commodity Provisions in the 2014 Farm Bill (P.L. 113-79)*
- CRS Report R43465, *Dairy Provisions in the 2014 Farm Bill (P.L. 113-79)*
- CRS Report R44156, *U.S. Peanut Program and Issues*
- CRS Report R40532, *Federal Crop Insurance: Background*
- CRS Report R43951, *Proposals to Reduce Premium Subsidies for Federal Crop Insurance*
- CRS Report RS21212, *Agricultural Disaster Assistance*
- CRS Report R44739, *U.S. Farm Program Eligibility and Payment Limits*
- CRS Report R44656, *USDA's Actively Engaged in Farming (AEF) Requirement*
- CRS Report R42551, *Sugar Provisions of the 2014 Farm Bill (P.L. 113-79)*
- CRS Report R43416, *Energy Provisions in the 2014 Farm Bill (P.L. 113-79): Status and Funding*
- CRS Report R43817, *2014 Farm Bill Provisions and WTO Compliance*
- CRS Report RS20840, *Agriculture in the WTO: Rules and Limits on Domestic Support*
- CRS Report R43336, *The WTO Brazil-U.S. Cotton Case*
- CRS In Focus IF10565, *Federal Disaster Assistance for Agriculture*
- CRS In Focus IF10223, *Fundamental Elements of the U.S. Sugar Program*
- CRS In Focus IF10517, *U.S. Stakeholders Critical of U.S.-Mexico Sugar Agreements*

[32] This WTO case resulted in cotton's exclusion from eligibility for ARC and PLC in the 2014 farm bill.

Industrial Hemp Provision in the 2014 Farm Bill

Industrial hemp is an agricultural commodity that is cultivated for a range of hemp-based goods, including foods and beverages, cosmetics and personal care products, nutritional supplements, fabrics and textiles, yarns and spun fibers, paper, construction/insulation materials, and other manufactured goods. The 2014 farm bill provided that certain research institutions and state departments of agriculture may grow industrial hemp as part of an agricultural pilot program if allowed under state laws (P.L. 113-79, §7606; 7 U.S.C. 5940). The provision was included as part of the research title of the farm bill. However, because industrial hemp is a variety of *Cannabis sativa*—the same plant species as marijuana—it is therefore subject to U.S. drug laws. Under current U.S. drug policy, all cannabis varieties, including industrial hemp, are considered Schedule I controlled substances under the Controlled Substances Act (21 U.S.C. §§801 et seq.) and the U.S. Drug Enforcement Administration (DEA) continues to control and regulate hemp production. Despite changes made by Congress in the 2014 farm bill, full implementation of the law's hemp provision has been limited given continued DEA actions regarding hemp production. In subsequent omnibus appropriations, Congress has blocked DEA and other federal law enforcement authorities from interfering with state agencies, hemp growers, and agricultural research. Appropriations bills have also blocked USDA from prohibiting the transportation, processing, sale, or use of industrial hemp that is grown or cultivated in accordance with the 2014 farm bill provision. Congress has continued to consider legislation to further advance industrial hemp and could further address these concerns in a new farm bill.

Related CRS Reports

- CRS Report RL32725, *Hemp as an Agricultural Commodity*
- CRS Report R44742, *Defining "Industrial Hemp": A Fact Sheet*
- CRS In Focus IF10391, *Potential Use of Industrial Hemp in Cannabidiol Products*

Specialty Crops, Certified Organic and Local Foods

During the past few farm bill debates, a diverse set of agricultural producers—covering specialty crops, certified organic agriculture, and local and regional foods—have argued that their sectors should occupy a larger role in farm bill policy discussions and that benefits supporting major commodity producers should be extended to these producers in order to create "a broader, more equitable farm bill."[33] Producers in these sectors are not eligible for support under USDA's farm commodity revenue support programs, but these sectors are eligible for other types of USDA programs and support throughout several farm bill titles. These include, but are not limited to, programs in the nutrition, conservation, research, crop insurance, disaster assistance, rural development, and trade titles. Other federal agencies also play important roles in these sectors.

Specialty crops—defined as "fruits and vegetables, tree nuts, dried fruits, and horticulture and nursery crops (including floriculture)"[34]—comprise a major part of U.S. agriculture. In 2012, the value of farm-level specialty crop production totaled nearly $60 billion, representing about one-fourth of the value of U.S. crop production but only 3% of all harvested cropland acres. USDA reports that retail sales of fresh and processed fruits and vegetables for at-home consumption total nearly $100 billion annually.[35] Exports of U.S. specialty crops totaled about $26 billion in 2015.[36] In 2012, about 244,000 farming operations grew more than 350 types of fruit, vegetable, tree nut,

[33] See, for example, comments from the Specialty Crop Farm Bill Alliance.

[34] Defined in the Specialty Crops Competitiveness Act of 2004 (P.L. 108-465, Section 3), as amended. For more information, see CRS Report R44719, *Defining "Specialty Crops": A Fact Sheet*.

[35] As reported by AMS in "PACA—Your Partner in Produce." Reflects estimates for 2008.

[36] CRS estimate from data in the U.S. International Trade Commission's Trade DataWeb database. Includes fresh and processed fruits, vegetables, tree nuts, nursery plants, and processed goods such as wine, olive oil, fruit juice, coffee, and tea.

flower, nursery, and other horticultural crops.[37] Specialty crop production is concentrated in California, Florida, Washington, Oregon, North Dakota, and Michigan, but every state has some commercial specialty crop production.

Agricultural products certified as "USDA organic" account for a small but growing share of the U.S. farming sector.[38] USDA reports that farm sales of certified organic products totaled $5.5 billion in 2014, spanning an array of plant and animal products.[39] Leading organic commodities based on farm value include milk, eggs, broiler chickens, lettuce, apples, meat products, grapes, corn for grain, hay, and spinach. In 2014, there were more than 14,000 organic farms and ranches, covering a total of 3.7 million acres, or about 1% of total U.S. cropland in farms. Production is concentrated in California, Florida, Washington, Pennsylvania, Oregon, Texas, and Wisconsin, but USDA reports organic production in each U.S. state. At the retail level, U.S. organic sales totaled $43.3 billion in 2015, representing roughly 5% of all food sales in the United States.[40] Exports of all U.S. organic products total about $2 billion annually.

In addition, a range of farm businesses are considered to be engaged in local food production. There is no established definition of what constitutes a "local food," but generally local food systems refer to agricultural production and marketing that occurs within a certain geographic proximity (between farmer and consumer) or that involves certain social or supply chain characteristics in producing food (such as small family farms, urban gardens, or farms using sustainable agriculture practices).[41] Sales of locally produced foods also comprise a small but growing part of U.S. agricultural sales. Though estimates vary, USDA reports that local food sales totaled an estimated $6.1 billion in 2012, reflecting sales from nearly 164,000 farmers selling locally marketed foods.[42] This represents 8% of U.S. farms and an estimated 1.5% of the value of total U.S. agricultural production.

Existing Farm Bill Provisions

The 2008 farm bill expanded support and funding for existing specialty crop and organic programs and created new incentives for producers under a new bill title, "Horticulture and Organic Agriculture." The 2014 farm bill reauthorized many of the existing farm bill provisions and increased spending on programs supporting specialty crops and certified organic agriculture, as well as local foods, as part of the "Horticulture" title. When the 2014 farm bill was enacted, CBO estimated that mandatory outlays for programs authorized in the horticulture title would increase nearly $340 million over the next five years (FY2014-FY2018) compared with the previous five-year period.[43] Despite this increase, funding under this title still comprises a small share—less than one-half of 1%—of total mandatory farm bill spending. Across all farm bill

[37] NASS, *2012 Census of Agriculture*.

[38] The Organic Foods Production Act of 1990 and USDA's National Organic Program (NOP) regulations require that agricultural products labeled as "organic" originate from farms or handling operations certified by a state or private entity that has been accredited by USDA. OFPA was enacted as part of the 1990 farm bill (P.L. 101-624). NOP is a voluntary production and handling certification program administered by USDA. NOP regulations are at 7 C.F.R. 205.

[39] USDA, *2014 Organic Production Survey*, ACH 12-29, September 2015.

[40] Organic Trade Association (OTA), "U.S. Organic Sales Post New Record of $43.3 Billion in 2015," May 19, 2016.

[41] Such operations include direct-to-consumer marketing, farmers' markets, farm-to-school programs, community-supported agriculture, community gardens, school gardens, food hubs and market aggregators, kitchen incubators, and mobile slaughter units, among other types of operations.

[42] USDA, *Trends in U.S. Local and Regional Food Systems: Report to Congress*, APN-068, January 2015.

[43] CBO cost estimate of the conference agreement on H.R. 2642, January 28, 2014. This estimate does not include costs for provisions in other farm bill titles benefitting specialty crop and organic producers.

titles, mandatory spending for specialty crops, organic agriculture, and local food systems was expected to average about $770 million annually (FY2014-FY2018).[44] Key programs include the Specialty Crop Block Grant Program (SCBGP), the Specialty Crop Research Initiative (SCRI), pest and disease prevention programs (including the so-called Section 10007 program), and nutrition programs targeting fruits and vegetables. The 2014 farm bill also provided for an additional roughly $300 million in average annual appropriations across related programs.

In general, the types of programs in which many of these groups share a common interest are USDA marketing and promotion programs (including rural development programs), domestic food and nutrition programs, research and cooperative extension programs, and conservation programs, among others. Although USDA has historically not provided direct support for specialty crops and organic production, over the decades Congress has authorized a wide range of programs in these areas that are viewed as facilitating the growth of and benefiting the economic health of these and related sectors. A discussion of the programs of particular importance to specialty crop and certified organic producers is in CRS Report R42771, *Fruits, Vegetables, and Other Specialty Crops: Selected Farm Bill and Federal Programs*; and CRS Report R43950, *Local Food Systems: Selected Farm Bill and Other Federal Programs*.

Issues and Options

Despite some shared program interests and a shared farm bill title, there are often significant differences between U.S. specialty crop and organic producers in terms of their overall farm bill priorities and in the types of key farm bill programs each group supports. The U.S. horticulture sector is among the most diverse of U.S. farm sector groups, with advocates spanning a wide range of policy priorities.[45] The certified organic and the local foods sectors are even more diverse, with wide-ranging priorities.[46] Given the perception of the importance of fruits and vegetables within many varied policy arenas, including child nutrition and wellness, and continued calls for enhanced equity across farm sectors, the specialty crop industry is expected to call for continued expansion of funding for a range of existing USDA programs. Similarly, continued growth in both consumer demand and producer investment in the certified organic and locally produced food sectors is likely to drive calls for increasing support for these markets both within USDA and at the state and local levels. Such expansion proposals may draw resistance from more traditional agricultural producers as well as by more established program recipients within the fruit and vegetable sectors due to competition for limited funds.

Previously, farm bill recommendations by specialty crop interest groups (as well as some leading fruit and vegetable producing state agencies, such as California) spanned most farm bill titles.[47] Most groups supported maintaining funding for each of the primary nutrition programs—such as the Fresh Fruit and Vegetable (Snack) Program, minimum purchase requirements under the Section 32 program, and the DOD Fresh program—and also called for changes to improve the

[44] For more information, see CRS Report R43632, *Specialty Crop Provisions in the 2014 Farm Bill (P.L. 113-79)*.

[45] Among specialty crop growers, the principal groups promoting the sector's farm bill priorities are the Specialty Crop Farm Bill Alliance (SCFBA), the United Fresh Produce Association, the Produce Marketing Association, and the American Fruit and Vegetable Processors and Growers Coalition, as well as regional groups such as Western Growers.

[46] Representatives in the organic sector include the Organic Trade Association, the Organic Farming Research Foundation, the National Organic Coalition, the Organic Consumers Association, and the Organic Farmers Association. Interests among these groups and those representing local foods often overlap with other agricultural interests such as those of the National Sustainable Agriculture Coalition (NSAC) and the National Farmer Union, among other groups.

[47] See, for example, SCFBA's and United's recommendations for the 2014 farm bill, as well as recommendations by the state of California ("California and the Farm Bill," http://www.aginnovations.org/).

nutritional status of U.S. food stamp recipients. They also recommended expanded funding for block grants, plant pest and disease programs, research programs (such as SCRI), and disaster assistance (including raising payment limitations on tree replacement). Within export promotion, these groups recommended maintaining funding for USDA's Market Access Program (MAP) and expanding the Technical Assistance for Specialty Crops (TASC) to address sanitary and phytosanitary and technical barriers to U.S. specialty crop exports. They also recommended that certain conservation programs be expanded to assist specialty crop producers and that AGI limitations not apply to conservation programs.[48] Finally, SCFBA recommended continued funding for the Value-Added Producer Grant Program and other changes to certain rural development title programs that affect farmworkers.

Farm bill recommendations promoted by the organic industry that could resurface in the next farm bill are focused on existing programs, including funding for the National Organic Program and the National Organic Certification Cost-Share Program and support for research under the Organic Agriculture Research and Extension Initiative (OREI) and the Organic Transitions Integrated Research Program (ORG).[49] Other priorities have included improving organic producers' access to USDA conservation programs and crop insurance, as well as addressing certain marketing issues, such as organic data collection at USDA and potential losses associated with contamination of organic crops from genetically engineered crops.

Many of the farm bill programs supporting specialty crops and organic agriculture are also supported by organizations promoting local and regional food systems. Some of the leading programs for local food producers also include the Farmers Market and Local Food promotion programs, the Senior Farmers Market Nutrition Program, and also related policies and incentives under SNAP, such as the Food Insecurity Nutrition Incentives, support for Community Food Projects, and Farm to School provisions. These groups also generally promote several rural development programs, including the Rural Micro-Entrepreneur Assistance Program. They also promote grant and loan programs that broadly support strategic regional community and economic development as well as beginning and socially disadvantaged farmers and ranchers.

In anticipation of the 2018 farm bill reauthorization, the ranking member of the Senate Agriculture Committee, Senator Debbie Stabenow, introduced the Urban Agriculture Act of 2016 (S. 3420) in the 114th Congress. This bill proposed to expand existing farm programs and funding, as well as fund new programs and incentives, to promote urban agriculture by expanding provisions in several titles throughout the farm bill. Proposed provisions include expanded support for competitive grants and research initiatives supporting urban farming along with expanded risk management tools, among other provisions. When this bill was introduced, it was widely noted as being intended to become part of the 2018 farm bill and could be reintroduced in the 115th Congress.[50] In addition, in the 114th Congress, comprehensive legislation was introduced to address food waste and recovery in both the House (H.R. 4184) and Senate (S. 3108). These bills proposed to expand the mission and funding for several existing federal programs to cover a range of food waste efforts, including additional funds for loans and grants to support composting and energy projects. Other bills addressing food waste were also introduced in the 114th Congress, and the House Agriculture Committee held a hearing on the subject in May 2016. Accordingly, food waste efforts could be considered as part of the larger farm bill debate.

[48] See, for example, SCFBA policy positions dated July 8, 2015, and May 11, 2015 (http://www.unitedfresh.org/).

[49] See, for example, OTA and National Organic Coalition recommendations for the 2014 farm bill.

[50] Based on comments by Senator Stabenow reported in *Hagstrom Report*, "Stabenow Introduces Urban Ag Bill Before Big Conference," September 2016.

Related CRS Reports

- CRS Report R43632, *Specialty Crop Provisions in the 2014 Farm Bill (P.L. 113-79)*
- CRS Report RL32746, *Fruits, Vegetables, and Other Specialty Crops: A Primer on Government Programs*
- CRS Report R44719, *Defining "Specialty Crops": A Fact Sheet*
- CRS Report RL34468, *The U.S. Trade Situation for Fruit and Vegetable Products*
- CRS In Focus IF10278, *U.S. Farm Policy: Certified Organic Agricultural Production*
- CRS In Focus IF10232, *U.S. Farm Policy: Local and Regional Food Systems*
- CRS Report R44390, *The Role of Local and Regional Food Systems in U.S. Farm Policy*
- CRS Report R43950, *Local Food Systems: Selected Farm Bill and Other Federal Programs*
- CRS In Focus IF10498, *Expanding Federal Support for Urban Agriculture*
- CRS In Focus IF10317, *Policy Issues Involving Food Loss and Waste*

Animal Agriculture

Farm bills have traditionally not provided livestock and poultry producers with farm revenue support programs like those for major crops such as grains, oilseeds, and cotton. Instead, the livestock and poultry industries look to the federal government for leadership in protecting animal health; establishing transparent, science-based rules for trading animal products; resolving foreign trade disputes; and assuring that supplies of domestic and imported meat and poultry are safe, of high quality, and free from pests and diseases.

Existing Farm Bill Provisions

The "Miscellaneous" title of the 2014 farm bill contained eight provisions addressing livestock and poultry producers. Five provisions were related to animal health. These included funding and certification process changes for the Trichinae Certification Program and additional funding for three other programs: the (1) National Aquatic Animal Health Plan, (2) the National Animal Health Laboratory Network, and (3) the National Poultry Improvement Plan. It also included a sense of Congress provision that feral swine eradication be considered a high priority.

In addition, the last farm bill addressed both country-of-origin labeling (COOL) and USDA catfish inspection, which were originally in the 2008 farm bill. The 2014 farm bill directed USDA to conduct an economic analysis of the COOL rule that USDA wrote and amended to implement 2008 farm bill requirements. During the 2014 farm bill debate, the United States was in the midst of a WTO dispute settlement case over COOL with Canada and Mexico, and the WTO had determined that COOL violated U.S. WTO obligations. Congress repealed the beef and pork COOL provisions in December 2015. The 2014 farm bill also confirmed the catfish inspection provision that transferred catfish inspection from the Food and Drug Administration to USDA. It also defined catfish as "all fish of the order 'Siluriformes'" in order to require inspections of both domestic and imported catfish. USDA issued the final rule in December 2015 that went into effect in March 2016.

Finally, the farm bill provided funding for the National Sheep Industry Improvement Center, which works to enhance the sheep and goat industry. Aside from the animal-related provisions in the miscellaneous title, the 2014 farm bill's permanent reauthorization of disaster assistance programs was a key achievement for livestock and poultry producers. (See discussion in "Farm Safety Net Programs.")

Issues and Options

In the upcoming farm bill debate, Congress is expected to consider extending support for the livestock and poultry sectors through reauthorizing and funding existing animal health programs, which protect the health of animals and the livelihood of producers. In particular, the outbreak of highly pathogenic avian influenza (HPAI) in 2014-2015 in U.S. laying hen flocks and the subsequent economic losses for producers and disruptions in trade for the entire poultry industry demonstrated the crucial role that USDA plays in animal health. Ongoing concerns about HPAI suggest that the livestock and poultry industries may be interested in engaging Congress on possible policies such as expanded indemnities or animal disease insurance that could aid producers affected by outbreaks.

The livestock industry would like USDA to develop a vaccine stockpile for foot-and-mouth disease (FMD). Congressional hearings in 2016 addressed FMD and preparedness at USDA's Animal and Plant Health Inspection Service (APHIS) in the event that it should ever be reintroduced into the United States.[51] The last U.S. FMD outbreak was in 1929. Another FMD outbreak would be devastating for U.S. livestock producers, with estimated annual losses of nearly $13 billion over 10 years, according to one study.[52] U.S. law does not allow for the domestic production of FMD vaccine. USDA stockpiles viral antigen concentrate (VAC) that is used to produce vaccine doses. USDA's current vaccine supplies, however, would be insufficient in the event of a large FMD outbreak. The livestock industry is calling for USDA to expand funding and capabilities to provide sufficient doses of vaccine if ever needed.

Expansion of feral swine eradication programs is another potential farm bill issue. Feral hogs were found in 39 states in 2016. By one estimate, feral swine cause $1 billion in damages to agriculture and another $1.5 billion to other parts of the U.S. economy in crop and natural resource destruction annually.[53] Feral swine are also a vector for animal disease. Congress appropriated $20 million to APHIS in 2014 for feral swine programs that are undertaken cooperatively with states and tribal nations. Congress could consider whether additional support for expanding existing funding and programs is merited.

During past farm bill debates, there has been interest is addressing consolidation and competition in the livestock and poultry sectors. USDA rules proposed by the Grain Inspection, Packers and Stockyards Administration (GIPSA) in 2010—partly finalized in 2011 and partly reproposed in 2016—continue to divide livestock and poultry producers, agricultural associations, and Members of Congress.[54] It is now up to the Trump Administration to decide whether to proceed with the GIPSA rules released by the Obama Administration in December 2016. Some farm and rancher groups and rural advocacy groups may look to the farm bill as an opportunity to propose new policies that support producers, especially contract growers.

Current law under the Animal Welfare Act (9 U.S.C. §2131 et seq.) requires minimum care standards for most types of warm-blooded animals bred for commercial sale, used in research,

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[51] U.S. Congress, House Committee on Homeland Security, Subcommittee on Emergency Preparedness, *Food for Thought: Efforts to Defend the Nation's Agriculture and Food*, 114th Cong., February 26, 2016, and U.S. Congress, Senate Committee on Agriculture, Nutrition, and Forestry, *A Review of the U.S. Livestock and Poultry Sectors: Marketplace Opportunities and Challenges*, 114th Cong., May 26, 2016. The United States has been free of FMD since 1929.

[52] Dermot Hayes et al., "Economy-Wide Impacts of a Foreign Animal Disease in the United States," Center for Agricultural and Rural Development, Working Paper 11-WP 525, November 2011.

[53] Chris Bennett, "Wild Pig Bomb Still Rocking Agriculture," *PorkNetwork*, January/February 2017, p. 24.

[54] See CRS Report R41673, *USDA's "GIPSA Rule" on Livestock and Poultry Marketing Practices*, and CRS Insight IN10638, *USDA Releases GIPSA Rules*.

transported commercially, or exhibited to the public. Although farm animals are exempt, they are covered by other federal laws addressing humane transport and slaughter. Some members of the House and Senate Agriculture Committees have expressed a preference for farmers to continue to pursue voluntary approaches to farm animal welfare. Increased consumer interest in farm animal welfare, as well as interest among some Members of Congress, may lead to proposals addressing animal welfare on the farm. For example, since FY2007, horse slaughter has been debated each year during appropriations debates, and Congress has prohibited USDA's Food Safety Inspection Service (FSIS) from carrying out horse slaughter every year except FY2012-FY2014. In the 115th Congress, the Safeguard American Food Exports Act of 2017 (H.R. 113) proposed deeming horse meat as unfit for human consumption and banning the transport of horses to be slaughtered for human consumption. A new farm bill could be viewed as an avenue to permanently settle the annual appropriations debate on horse slaughter.

Related CRS Reports

- CRS Report R41673, *USDA's "GIPSA Rule" on Livestock and Poultry Marketing Practices*
- CRS Insight IN10638, *USDA Releases GIPSA Rules*
- CRS Report RS22955, *Country-of-Origin Labeling for Foods and the WTO Trade Dispute on Meat Labeling*
- CRS Report RS21842, *Horse Slaughter Prevention Bills and Issues*

Agricultural Credit

The federal government has a long history of providing credit assistance to farmers. This intervention has been justified by many factors, including market failure due to imperfect knowledge of information between lenders and farmers, lack of competition in some rural lending markets, insufficient lending resources in rural areas, and the desire to targeted lending to disadvantaged groups.

The agricultural lender with the greatest connection to the federal government is the USDA Farm Service Agency (FSA). It issues direct loans to farmers who cannot qualify for regular commercial credit and guarantees the repayment of certain loans made by other lenders. FSA also has statutory mandates to target loans to beginning farmers and socially disadvantaged groups based primarily on race and gender. Of the $350 billion in total farm debt as of year-end 2015, FSA provides about 2% through direct loans and guarantees about another 4%-5%.

Another agricultural lender with a federal mandate is the Farm Credit System (FCS). FCS is a cooperatively owned and federally chartered private lender with a statutory mandate to serve only agriculture-related borrowers. FCS makes loans to creditworthy farmers. It is *not* a lender of last resort but it is a government-sponsored enterprise receiving tax benefits, among other preferences, in return for restrictions on its lending base. FCS accounts for about 40% of farm debt. A third agricultural lender created by federal statute is Farmer Mac, another government-sponsored enterprise that is privately held and provides a secondary market for agricultural loans.

The statutory authority for FSA, FCS, and Farmer Mac is permanent, but farm bills often make adjustments to eligibility criteria and the scope of operations.

Existing Farm Bill Provisions

The 2014 farm bill made relatively small policy changes to USDA and FCS farm lending programs. It eliminated term limits on USDA-guaranteed farm operating loans, gave USDA discretion to recognize alternative legal entities to qualify for farm loans, and allowed alternatives

to meet a three-year farming experience requirement. It also increased the maximum size of down payment loans. It further increased the percentage of a conservation loan that can be guaranteed, added another lending priority for beginning farmers, and facilitated loans for the purchase of highly fractionated land in Indian reservations. The farm bill also stated that compensation decisions for FCS executives rests with FCS boards of directors.

Issues and Options

Credit issues are not expected to be a major part of a new farm bill, and changes that might occur are not expected to be particularly significant or comprehensive within the scope of agricultural credit statutes. Nonetheless, several issues could arise as legislation develops, including:

- Further targeting of FSA lending resources to beginning and socially disadvantaged farmers;
- Providing carve-outs for emerging or nontraditional parts of the agricultural industry, such as local or regional food systems, organic agriculture, and sustainable production, or providing financing for farmers, cooperatives, and/or food businesses that serve food deserts or finance urban agriculture; and
- Determining the scope of FCS and/or Farmer Mac lending activities, including the carve-outs mentioned above.

Related CRS Report

- CRS Report RS21977, *Agricultural Credit: Institutions and Issues*

Agricultural Research

USDA was created in 1862 in part to support agricultural research in an expanding, agriculturally dependent country. USDA conducts intramural research at federal facilities with government-employed scientists and supports external research at universities and other facilities through competitive grants and formula-based funding. The breadth of contemporary USDA research spans traditional agricultural production techniques, organic and sustainable agriculture, bioenergy, nutrition needs and composition, food safety, animal and plant health, pest and disease management, economic decisionmaking, and other social sciences affecting consumers, farmers, and rural communities.

Four agencies carry out USDA's research and education activities, grouped together into the Research, Education, and Economics (REE) mission area. The Agricultural Research Service (ARS) is USDA's intramural science agency and conducts research on food and agriculture issues of national and regional importance. The National Institute of Food and Agriculture (NIFA) sponsors extramural research by distributing federal funds to land-grant universities and other outside partners for state- and regional-level research, education, and extension activities. The Economic Research Service (ERS) conducts economic and social science research about agriculture, rural development, food, commodity markets, and the environment. Finally, the National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides official statistics on agricultural production and other relevant indicators about the farm sector.

Existing Farm Bill Provisions

The research title of the 2014 farm bill reauthorized funding for various USDA research activities through FY2018, subject to appropriations, and amended authority so that only competitive grants

can be awarded under certain programs. Mandatory spending was increased for several programs, including the Specialty Crop Research Initiative (SCRI), the Organic Agricultural Research and Extension Initiative (OREI), and the Beginning Farmer and Rancher Development Program (BFRDP). It also provided mandatory funds to establish the Foundation for Food and Agriculture Research, a nonprofit corporation designed to accept private donations and award grants for collaborative public/private partnerships among USDA, academia, and the private sector.

Issues and Options

Several research programs mentioned above received mandatory funding in the 2014 farm bill but do not have a budget baseline that extends beyond FY2018.[55] If policymakers want to continue these programs in a new farm bill, they would need to pay for them with other offsets. These include $100 million over five years for both OREI and BFRDP and $200 million to establish the Foundation for Food and Agriculture Research ($200 million in FY2014).

USDA differs from most other federal science agencies in allocating more than half of its annual research appropriation to intramural research agencies, including ARS, ERS, and NASS. Coordinating intramural and extramural research objectives and activities continues to be a concern and could be considered as part of a new farm bill debate. Likewise, the appropriate split between formula funding and competitive funding for extramural research in NIFA remains a concern of various interests. Lastly, within the competitive grants programs, especially the flagship Agriculture and Food Research Initiative (AFRI), allocation and prioritization of funding among various research areas remains a concern. Interest groups that want more funding for their research needs and commodities may seek inclusion via farm bill legislation.

Related CRS Report

- CRS Report R40819, *Agricultural Research: Background and Issues*

Agricultural Trade and Export Promotion

The federal government provides support for U.S. agricultural exports through two types of programs: export market development and export credit guarantees. The 2014 farm bill repealed the Dairy Export Incentive Program, thereby eliminating the use of direct export subsidies for U.S. agricultural products. Legislative authorizations for agricultural trade programs are included in the trade title of the 2014 farm bill. USDA's export promotion programs are administered by USDA's Foreign Agricultural Service (FAS) and generally funded using mandatory monies. One of the larger programs, MAP, was targeted for cuts or elimination in a number of deficit reduction proposals but was retained intact in the 2014 farm bill.

Existing Farm Bill Provisions

Export market development programs—whose primary aim is to assist U.S. industry efforts to build, maintain, and expand overseas markets for U.S. agricultural products—include MAP, the Foreign Market Development Program (FMDP), the Emerging Markets Program (EMP), the Quality Samples Program (QSP), and TASC. The 2014 farm bill extended budget authority for

[55] CRS Report R44758, *Farm Bill Programs Without a Budget Baseline Beyond FY2018*.

these programs through FY2018, making funding mandatory and thus not subject to annual appropriations.

The 2014 farm bill also reauthorized GSM-102, the FAS-administered short-term export credit guarantee program,[56] and the Facility Guarantee Program (FGP). Under these programs, the CCC provides payment guarantees for the commercial financing of U.S. agricultural exports. GSM-102 guarantees repayment of commercial financing by approved foreign banks, mainly of developing countries, for up to two years for the purchase of U.S. farm and food products. FGP guarantees financing of goods and services exported from the United States to improve or establish agriculture-related facilities in emerging markets.

While the 2014 farm bill extended these programs largely intact, it did make several changes. To comply with a WTO decision in a cotton case won by Brazil, Congress made several changes to GSM-102. These changes included shortening the loan guarantee period from three years to two, repealing a requirement that the Secretary of Agriculture maximize the amount of credit guarantees available each year, and removing a provision that restricted the Secretary from adjusting program fees to fully cover the cost of operating the program. Congress also broadened the scope of TASC to fund projects that address technical barriers to trade beyond sanitary and phytosanitary measures.

At a more strategic level, the 2014 farm bill directed USDA to consult with the House and Senate Agriculture Committees and Appropriations Committees and then propose a plan to reorganize the international trade functions of USDA. The law directs that the plan establish an Under Secretary for Farm and Foreign Agricultural Affairs within USDA, a position that would require Senate confirmation. Currently, USDA's Under Secretary for Farm and Foreign Affairs oversees FAS and the export programs the agency administers, as well as several major domestic farm program areas. At a hearing of the Senate Agriculture Committee in September 2016, former USDA Secretary Vilsack said he intended to lay the groundwork for the next Administration to pursue this task.[57] At the beginning of 2017, however, USDA had not transmitted a reorganization plan to Congress.

Issues and Options

Federal support for agricultural export promotion invariably raises questions about the appropriateness of government support for private sector export promotion and the effectiveness and impact of these programs. Some have argued that MAP and FMDP are forms of corporate welfare in that they fund activities that private firms and industry groups could and should fund themselves. Other critics argue that the principal beneficiaries of export promotion programs are foreign consumers and that funds could be better spent, for example, on educating U.S. firms about how to export and on overcoming trade barriers.

Questions about whether export promotion programs are as effective as they could be, and whether new approaches to facilitating and promoting U.S. farm exports may be needed (or both), could be topics of discussion in a new farm bill, considering that the value of U.S. exports and farm income have both declined since the enactment of the previous farm bill. The eligibility of certain types of organizations and producer groups, and the levels of funding for various programs are likely topics of debate as policymakers consider farm bill trade programs. Congress

[56] GSM refers to the General Sales Manager, an official within FAS appointed by the FAS administrator charged with increasing exports and managing the programs that encourage foreign countries and companies to import U.S. farm products.

[57] Senate Agriculture Committee hearing of September 21, 2016.

could also revisit the unfinished business of its directive to reorganize the international trade functions of USDA under a new Under Secretary position with a unique focus on promoting U.S. farm and food exports. Other trade-related issues that are outside the context of the farm bill—but may arise in the debate around the trade title in view of lower farm export sales in recent years—may include various multilateral and bilateral trade negotiations that are generally supported by some U.S. agricultural groups.[58]

Related CRS Reports

- CRS Report R43696, *Agricultural Exports and 2014 Farm Bill Programs: Background and Current Issues*
- CRS Report R44337, *TPP: American Agriculture and the Trans-Pacific Partnership (TPP) Agreement*
- CRS In Focus IF10412, *TPP: Taking the Measure of the Agreement for U.S. Agriculture*

International Food Aid and Assistance

The United States has led global funding support for international food assistance for over 60 years.[59] These programs originated with blended goals to support the domestic agricultural safety net, agricultural trade goals, and the maritime industry in addition to supporting efforts to alleviate hunger abroad.[60] This blending of objectives is manifested through statutory requirements that most U.S. international food assistance be (1) based on the donation of U.S. agricultural commodities to be distributed as food or sold to generate funds for development programs[61] and (2) shipped primarily on U.S.-flag vessels.[62]

Two agencies implement the international food assistance programs authorized under the farm bill: the U.S. Agency for International Development (USAID), and FAS. USAID implements the largest program, Food for Peace Title II (Emergency and Private Assistance Programs), which averaged $1.8 billion in annual outlays from FY2006-FY2015. FAS implements all other international food assistance programs funded through the farm bill authorization, with total annual average outlays of $395 million per year from FY2006-FY2015.[63]

Existing Farm Bill Provisions

The United States provides U.S. agricultural commodities, procured by USDA, as the primary form of emergency and economic development assistance in response to food security problems in developing countries. The suite of programs that govern U.S. international food assistance was reauthorized in the trade title of the 2014 farm bill. Programs include (1) Food for Peace, (2)

[58] For example, the U.S. International Trade Commission concluded that the proposed Trans-Pacific Partnership regional free-trade agreement between the United States and 11 Pacific-facing nations could have boosted U.S. farm and food exports (International Trade Commission, *Trans-Pacific Partnership Agreement: Likely Impact on the U.S. Economy and on Specific Industry Sectors*, publication no. 4067, May 2016).

[59] See for example http://www.wfp.org/fais/ for data on food aid donations over time.

[60] For more on the origins of U.S. international food assistance policies, see CRS Report R41072, *U.S. International Food Aid Programs: Background and Issues*.

[61] This applies to nearly all of the programs authorized through the farm bill—with some exceptions, including the Local and Regional Procurement Projects program and some uses of the 202(e) funds under Food for Peace Title II.

[62] The specific requirement is called agricultural cargo preference, the specifics of which have fluctuated several times. In 2012 the requirement was reduced from 75% to 50% of food aid cargo shipments, and it eliminated programs that offset the increased costs that they incur due to the cargo preference requirement.

[63] CRS calculations based on data available from International Food Aid Reports.

Food for Progress, (3) the McGovern-Dole International Food for Education and Child Nutrition Program, and (4) the Bill Emerson Humanitarian Trust. The Food for Peace Act's Title II, Emergency and Private Assistance Programs, is the primary vehicle for U.S. international food aid. Title II of Food for Peace is administered by USAID. Title II provides donations of U.S. agricultural commodities to respond to emergency food needs or to be used in development projects. All other food aid programs are administered by FAS. The 2014 farm bill also enacted modest flexibilities into the Food for Peace Act.[64]

The 2014 farm bill also made permanent the Local and Regional Food Aid Procurement Projects program (which was authorized in the 2008 farm bill as a temporary pilot program), but it also changed its funding from mandatory to discretionary, increasing the authorization from $60 million total during FY2009-FY2012 to $80 million per year, subject to annual appropriations. It also introduced additional reporting requirements on administrative costs, transportation, storage, and cost recovery of monetized food aid authorized through the farm bill.[65]

Issues and Options

U.S. international food assistance programs have evoked considerable debate on whether to relax, retain, or strengthen statutory requirements that affect implementation of the programs. The 115th Congress might continue these discussions or might consider new legislation that also addresses global hunger issues.

In previous Congresses, debate about U.S. international food assistance programs intensified during farm bill discussions and other legislative proposals.[66] Issues that Congress discussed included whether to alter requirements on where food aid is purchased, how it is transported, and the extent to which U.S. agricultural commodities must be sold (or "monetized") to support Food for Peace development programs. Proponents for increased flexibility argue that requirements on sourcing and transportation increase program expenses, and flexibility could allow U.S. international food assistance programs to benefit more people at no additional cost.[67] Supporters of the existing program mechanisms cite the value of leveraging the international programs to also support U.S. agriculture, shipping, and military readiness.[68]

The 2016 Global Food Security Act (P.L. 114-195) codified a new program—the Emergency Food Security Program (EFSP)—but did not alter programs that are authorized through the farm bill. The new EFSP operates without restrictions on sourcing or shipping—cash transfers are permissible. The Global Food Security Act mandated additional coordination efforts of all U.S. programs that address hunger internationally.[69] Authorizations for food aid programs under both the farm bill and the act expire after FY2018. The simultaneous expiry of these programs with similar goals and distinct reporting mechanisms may generate congressional discussion on how to

[64] These changes include an increase in the amount and flexibility in use of cash funds (also referred to as 202(e) funds), which allows Food for Peace programs to use up to 20% of funds as cash for program administration, vouchers, or local and regional procurement. Other flexibilities include increases in authorizations to fund commodities at prepositioning sites (intermediate storage locations to reduce time lags when shipping commodities to destinations).

[65] USAID and USDA report this information in annual International Food Aid Reports.

[66] Legislative proposals to reduce requirements within U.S. international food assistance programs included, in the 113th Congress, S. 2421 (Food for Peace Reform Act of 2014), H.R. 1983 (Food Aid Reform Act), and H.Amdt. 190 to H.R. 1947 (Federal Agriculture Reform and Risk Management Act of 2013); in the 114th Congress, S. 525 (Food for Peace Reform Act of 2015) and S. 1252 (enacted as the Global Food Security Act of 2016, P.L. 114-195).

[67] See for example discussion from USAID Office of Food for Peace at https://www.usaid.gov/foodaidreform.

[68] See, for example, letter to House Committee on Agriculture from a range of industries, March 21, 2013.

[69] USAID's government-wide U.S. Global Food Security Strategy was submitted to Congress in October 2016. See USAID, "U.S. Government Global Food Security Strategy 2017-2021."

coordinate oversight and reauthorization across both agricultural and foreign affairs jurisdictions. USAID's Office of Food for Peace implements EFSP, but the program does not operate with funding authorized through the Food for Peace Act. The program reports to the foreign affairs committees, not to the agricultural committees.

Related CRS Reports

- CRS Report R41072, *U.S. International Food Aid Programs: Background and Issues*
- CRS In Focus IF10475, *Global Food Security Act of 2016 (P.L. 114-195)*

Food and Nutrition

Domestic food assistance programs reauthorized in the farm bill's nutrition title include the Supplemental Nutrition Assistance Program (SNAP, formerly the Food Stamp Program), the Emergency Food Assistance Program (TEFAP), the Commodity Supplemental Food Program (CSFP), the Food Distribution Program on Indian Reservations (FDPIR), and other programs administered by USDA's Food and Nutrition Service (FNS). According to CBO's projected costs at the time of enactment, the nutrition title makes up nearly 80% of spending under the 2014 farm bill (though subsequent estimates show that actual spending has been less than was projected at that time; see **Table 1** and **Figure 1**). SNAP accounts for the vast majority of the spending in this title. At the time of enactment, the policy changes contained in the nutrition title of the 2014 farm bill were projected to save $8 billion relative to baseline spending over 10 years (FY2014-FY2023). The savings are primarily from changes to SNAP, but there are increasing investments in some areas.

Most farm bill domestic food assistance programs—except for CSFP, FDPIR, and the administrative cost component of TEFAP—are generally treated as mandatory spending for budget purposes. SNAP is open-ended mandatory spending and is funded through appropriations laws. As such, amending SNAP eligibility, benefits, or other program rules can have a budgetary impact, but the availability of appropriated funding also affects operations. Discretionary spending programs in the farm bill include CSFP, the administrative cost component of TEFAP, and a portion of FDPIR.

Typically, the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the child nutrition programs (National School Lunch Program, School Breakfast Program, Child and Adult Care Food Program, Summer Food Service Program, and others) are not reauthorized in the farm bill. These programs, located in the Child Nutrition Act of 1966 and the Richard B. Russell National School Lunch Act, were last reauthorized in 2010 in P.L. 111-296, the Healthy, Hunger-Free Kids Act of 2010. Despite efforts to complete the next child nutrition reauthorization during the 114th Congress, the legislation did not advance beyond committees.[70]

Program Design and Operation

The sections to follow provide program background and highlight some of the 2014 farm bill's major changes. For a more comprehensive treatment of the 2014 farm bill's nutrition title, see CRS Report R43332, *SNAP and Related Nutrition Provisions of the 2014 Farm Bill (P.L. 113-79)*.

[70] See CRS In Focus IF10266, *An Introduction to Child Nutrition Reauthorization*, and CRS Report R44373, *Tracking the Next Child Nutrition Reauthorization: An Overview*.

Supplemental Nutrition Assistance Program (SNAP)

Formerly known as the Food Stamp Program, SNAP provides benefits to eligible low-income households on electronic benefit transfer (EBT) cards.[71] Benefits can be exchanged for eligible foods at authorized retailers. In FY2016, an average of 44.2 million individuals in 21.8 million households participated in SNAP each month.[72] Federal spending for FY2016 totaled approximately $70.8 billion. The vast majority of the spending ($66.6 billion, 94%) was the cost of benefits themselves, which are 100% federally financed.

SNAP eligibility and benefits are calculated on a household basis. Financial eligibility is determined through a traditional or a categorical eligibility path. Under *traditional* eligibility, applicant households must meet gross income, net income, and asset tests. Specifically, household gross monthly income (all income as defined by SNAP law) must be at or below 130% of the federal poverty level, and household net monthly income (with SNAP-specified deductions subtracted) must be at 100% of the federal poverty level. The traditional asset rules are set at $2,000 per household (inflation adjusted). (Households that contain an elderly or disabled member have a higher asset limit and also do not have to meet the gross income test.) Under *categorical* eligibility, SNAP eligibility is automatically conveyed based upon the applicant's participation in other means-tested programs, namely Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), or General Assistance (GA). Because TANF is a broad-purpose block grant, the state option to extend SNAP eligibility to applicants that receive a TANF-funded benefit allows states to offer program eligibility under rules that vary from those discussed in this paragraph, including an elimination of the asset test ("broad-based categorical eligibility"). Applicants are also subject to nonfinancial rules, which include work-related requirements such as a time limit for Able-Bodied Adults Without Dependents (ABAWDs). If eligible for SNAP, an applicant household undergoes a calculation of its monthly benefit amount (or allotment) based on household size and any applicable SNAP deductions.

Although the nutrition title of the 2014 farm bill (P.L. 113-79) contains a number of provisions that changed aspects of SNAP, Congress retained most of SNAP's existing authorizing law.[73] The 2014 farm bill amended how Low-Income Home Energy Assistance Program (LIHEAP) payments are treated in the calculation of SNAP benefits, reducing benefit amounts in some states. The law included policies related to the SNAP Employment and Training (E&T) program, including a pilot project authority and related funding ($200 million over FY2014 and FY2015) for states to implement and for USDA to evaluate a variety of work programs for SNAP participants. Since SNAP provides benefits redeemable for SNAP-eligible foods at SNAP-eligible retailers, much of SNAP law pertains to retailer authorization and benefit issuance and redemption. The 2014 farm bill included changes to retailer and redemption provisions. The law now requires stores to stock more fresh foods, requires retailers to pay for their EBT machines, and provides additional funding for combatting trafficking (the sale of SNAP benefits).[74] The 2014 farm bill also includes $100 million in mandatory funding (over 10 years) for Food Insecurity Nutrition Incentive grants, which will support organizations that offer bonus incentives for SNAP purchases of fruits and vegetables.

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[71] For more SNAP background, see CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*.

[72] Administrative data from FNS as of December 9, 2016, available at https://www.fns.usda.gov/pd/supplemental-nutrition-assistance-program-snap.

[73] The 2014 farm bill amended SNAP's authorizing statute, the Food and Nutrition Act of 2008.

[74] See CRS Report R44650, *Updated Standards for SNAP-Authorized Retailers: Final Rule*.

The Emergency Food Assistance Program (TEFAP)

Under TEFAP, the federal government provides USDA-purchased commodity foods to states. This assistance supplements other sources of food aid for needy persons and is often provided in concert with food bank and homeless shelter projects as either food packages or meals. States make eligibility decisions for TEFAP assistance and choose local administering agencies. National emergency provider and food bank networks (such as Feeding America) are also heavily involved. In addition to state allocations in entitlement commodities, each state receives a share of discretionary money to fund expenses of administration and distribution (e.g., storage, transportation) of the commodities. State entitlements to TEFAP commodities are supplemented with bonus commodities (about $305 million in FY2016) that USDA has acquired in its agriculture support programs.

The 2014 farm bill increased mandatory funding for TEFAP entitlement commodities. According to CBO's estimate (which accounts for inflation), the 2014 farm bill increases funding for TEFAP's entitlement commodities by $125 million over 5 years and $205 million over 10 years. The increases first took effect in FY2015 with an increase of $50 million above prior law. Among other changes, the 2014 law also requires funding for TEFAP to be available to be spent over a two-year period.

Commodity Supplemental Food Program

CSFP provides supplemental foods primarily to low-income elderly persons. For elderly participants, eligibility is limited to those with income below 130% of the federal poverty income guidelines. USDA purchases the foods and distributes them to grantees. CSFP grantees also receive funding for administrative costs. Commodities and administrative funding are generally apportioned by the number of persons served in the prior year. If new money is appropriated or if allocated "slots" are not used, new projects can be added. In FY2016, 47 states, the District of Columbia, and two Indian Tribal Organizations (ITOs) operated CSFP projects.

The 2014 farm bill changed CSFP's eligibility rules, phasing out eligibility for low-income pregnant, postpartum, and breastfeeding women, infants, and children. According to FY2016 FNS administrative data, nearly all of the over 585,000 program participants were elderly (defined as 60 years of age or older).

Other Farm Bill Programs

Programs in Lieu of SNAP

Puerto Rico, American Samoa, and the Commonwealth of the Northern Mariana Islands (CNMI) do not participate in the SNAP program. Instead, they receive a nutrition assistance block grant, under which they administer a nutrition assistance program with service delivery unique to each territory. Indian tribal organizations may choose to operate FDPIR instead of having the state offer SNAP benefits. The full cost of benefits and most administrative expenses are covered by the federal government. This option operates on over 250 Indian reservations in 22 states. The 2014 farm bill included policies related to the programs in lieu of SNAP. For instance, it required certain feasibility studies of the food assistance programs in Puerto Rico and CNMI.

Senior Farmers' Market Nutrition Program (SFMNP)

Under the SFMNP, low-income seniors receive vouchers that they can redeem at farmers' markets and roadside stands for fresh produce. The 2014 farm bill maintained mandatory funding at $20.6 million per year.

School and Institution Food Programs

As discussed above, the school meals programs are reauthorized in legislation separate from the farm bill. However, the 2014 farm bill did include several provisions and resources that pertain to the child nutrition programs, in particular the USDA commodity foods served in the school meal programs. Related policies include:

- **Processing of USDA commodities.** The 2014 law extended the authority for USDA to enter into reprocessing agreements with private companies to process commodity foods. The law also included a new provision that allowed USDA to contract with processors and retain title to those foods while processing.
- **USDA purchases of fresh fruits and vegetables; farm to school.** The 2014 law continued the requirement that $50 million of USDA's additional acquisitions of fruits and vegetables be fresh fruit and vegetables. The law also created a pilot grant program that would allow eight states to use this funding for their own local sourcing of fresh fruits and vegetables.
- **Pulse crop pilot program.** The new law included the Senate bill's proposal to create a pilot project to purchase pulse crops (dry beans, dry peas, lentils, and chickpeas) and pulse crop products for schools. Up to $10 million in appropriations was authorized.
- **Fresh Fruit and Vegetable ("snack") Program.** This program was permanently authorized and funded in the 2008 farm bill, but in 2014 a pilot was authorized to test and evaluate providing fruit and vegetable snacks in other forms.

Community Food Projects

In the 1996 farm bill (Federal Agriculture Improvement and Reform Act of 1996, P.L. 104-127), Congress established a program of assistance for community food projects intended to promote innovative local self-help initiatives to meet nutrition and farm needs. The 2014 farm bill made some amendments to the grant program and increased mandatory funding from $5 million per year to $9 million per year (beginning FY2015).

Issues and Options

As discussed earlier, the 2014 farm bill was formulated and enacted amid contentious debate that centered on SNAP spending, eligibility and benefit rules, and inclusion of certain programs in the farm bill. It is possible that some of the controversial policies included in House-passed bills but not in the enacted law will be debated again in the 115th Congress's consideration of the next nutrition title. The Trump Administration may affect how and what issues are discussed in the next reauthorization. Developments in the 114th Congress—namely the findings from the bipartisan congressional commission, the National Commission on Hunger,[75] and the House

[75] This congressional commission was created by the FY2014 appropriations law, P.L. 113-76, "to provide policy recommendations to Congress and the USDA Secretary to more effectively use existing programs and funds of the

Committee on Agriculture's 114th Congress hearing series, "Past, Present, and Future of SNAP"[76]—may also preview future issues and options. It is also possible that SNAP, as the lion's share of the farm bill's mandatory spending, will be part of budgetary decisionmaking for the bill as a whole. The sections to follow briefly discuss examples of SNAP issues that came up during the last farm bill or have come up since that time.

SNAP Categorical Eligibility, Asset Limits

In current law, SNAP eligibility is available to applicants that already receive benefits from low-income programs, including SSI, TANF,[77] and state-financed GA programs. As of August 2016, 42 states adopted the "broad-based" categorical eligibility option, which gives states increased flexibility with the income and asset limits. Because of this "broad-based" option, most states are assessing applicants' eligibility without conducting an assessment of their assets. As these policies are considered, possibly in a new farm bill, so may be the role of asset tests in general.

Work-Related Rules in SNAP

SNAP law has rules on employment or work-related activities for able-bodied, nonelderly adult participants.[78] Some rules apply in all states that operate SNAP—for example, requiring unemployed program participants to register for work and accept a suitable job if offered one. However, some requirements can vary by state, depending on how each state designs its own SNAP Employment and Training Program (E&T)—for example, whether a work registrant's E&T participation is voluntary or mandatory.

In addition to the nationwide and state-specific work eligibility rules, SNAP law has a time limit for ABAWDs who are not working a minimum of 20 hours per week. If such individuals do not work the required number of hours, they can receive no more than three months of benefits over a 36-month period. SNAP law also authorizes waivers (tied to job availability in a state or portions of a state) and exemptions from the time limit. Some controversy has developed in recent years, including the years of the 2014 farm bill's formulation, because the vast majority of states had statewide waivers from enforcing the time limit. Currently, fewer states are eligible for those statewide waivers, and the time limit is becoming more prevalent. Participants are increasingly being time-limited off benefits, and there are anecdotal reports of food banks experiencing increased demand as a result.[79]

A new farm bill may consider work-related rules. As mentioned earlier, the 2014 law ultimately authorized and funded E&T pilot programs in 10 states; each pilot is participating in a rigorous evaluation. It is possible that a new farm bill could propose changes to work-related rules based

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Department of Agriculture to combat domestic hunger and food insecurity." National Commission on Hunger, *Freedom from Hunger: An Achievable Goal for the United States of America*, 2015, https://hungercommission.rti.org/.

[76] For a summary of these findings from the hearing, see Chairman K. Michael Conaway, *Past, Present, and Future of SNAP: Hearing Series Findings: 114th Congress*, House Committee on Agriculture, December 7, 2016.

[77] See additional resource on these programs: CRS Report RL32279, *Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)*, and CRS Report RL32760, *The Temporary Assistance for Needy Families (TANF) Block Grant: Responses to Frequently Asked Questions*.

[78] A longer explanation of these rules is located in CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*. Discussion of related House and Senate 2014 farm bill proposals is located in CRS Report R43332, *SNAP and Related Nutrition Provisions of the 2014 Farm Bill (P.L. 113-79)*.

[79] See FNS, "SNAP: Able-Bodied Adults Without Dependents (ABAWDs)," https://www.fns.usda.gov/snap/. See, for example, Ashley McGowan, "SNAP Food Assistance Cuts Coming to Pima County: 500k-1 Million to Lose Benefits Across U.S.," *Tucson Sentinel*, April 1, 2016.

on (likely interim) findings from the evaluation of the 2014 farm bill's pilot programs and/or political and ideological positions around work requirements.[80]

SNAP-Eligible Foods, Retailer Standards

For decades, policymakers and the general public have debated what SNAP benefits should be allowed to purchase and whether further restrictions would promote better eating habits. Under current law, SNAP benefits can buy most foods for household consumption sold at SNAP-authorized retailers. In recent months, FNS released a study of SNAP participants' foods purchased, and the House Committee on Agriculture held a hearing on SNAP-eligible foods.[81] A new farm bill may revisit rules around eligible foods or eligible retailers or may propose policy options to promote healthier eating for SNAP participants.[82]

The current definition of SNAP-eligible foods is in federal law.[83] If states or localities wish to implement SNAP-eligible foods policies different than this definition—for instance, one restricting sugar-sweetened beverage purchases—they must apply to USDA for permission to run demonstration projects. Over the years, some states have sought permission to restrict foods from SNAP purchase, but USDA has not yet approved one.[84]

The last two farm bills expanded federal funding to provide and test incentives for SNAP participants' purchases of fruits and vegetables. The 2008 farm bill authorized and funded the "Healthy Incentives Pilot." The 2014 farm bill authorized and funded the Food Insecurity Nutrition Incentive grant program. It is possible that a new farm bill could further support incentive-based approaches.

The 2014 farm bill required significant changes to the inventory requirements for SNAP-authorized retailers. The changes to stocking requirements will go into effect in May 2017 for new applicant stores and January 2018 for currently authorized stores. Retailers' experiences under the new rules may impact development of a new farm bill.

Related CRS Reports

- CRS Report R42353, *Domestic Food Assistance: Summary of Programs*
- CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*
- CRS Report R42353, *Domestic Food Assistance: Summary of Programs*
- CRS Report R42054, *The Supplemental Nutrition Assistance Program (SNAP): Categorical Eligibility*
- CRS Report R43332, *SNAP and Related Nutrition Provisions of the 2014 Farm Bill (P.L. 113-79)*
- CRS Report R44650, *Updated Standards for SNAP-Authorized Retailers: Final Rule*
- CRS In Focus IF10266, *An Introduction to Child Nutrition Reauthorization*

[80] For a discussion of time limits and work requirements across several public benefit programs, see CRS Report R43400, *Work Requirements, Time Limits, and Work Incentives in TANF, SNAP, and Housing Assistance*.

[81] FNS study (conducted by Impaq International) published November 2016. See also U.S. Congress, House Committee on Agriculture, *Pros and Cons of Restricting SNAP Purchases*, 115th Cong., 1st sess., February 16, 2017.

[82] For more information, see CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*, and CRS Report R44650, *Updated Standards for SNAP-Authorized Retailers: Final Rule*.

[83] Section 3(k) of the Food and Nutrition Act of 2008 (codified at 7 U.S.C. 2012(k)).

[84] See, for example, Patrick McGeehan, "U.S. Rejects Mayor's Plan to Ban Use of Food Stamps to Buy Soda," *New York Times*, August 19, 2011.

Conservation and Environment

The conservation title of the farm bill generally contains a number of reauthorizations, amendments, and new programs that encourage farmers and ranchers to voluntarily implement resource-conserving practices on private land. Starting in 1985, farm bills have greatly broadened the range of topics considered to be conservation. While the number of programs has increased and techniques to address resource problems continue to emerge, the basic approach has remained unchanged: financial and technical assistance supported by education and research programs.

Existing Farm Bill Provisions

USDA currently administers a number of conservation programs that assist private landowners with natural resource concerns. These programs provide technical and financial assistance to willing landowners in exchange for the implementation of resource-conserving practices. Some of these programs focus on improving or restoring resources that have been degraded, while others create conditions to limit degradation in the future. In most cases, conservation programs have multiple resource conserving goals related to soil, water, and wildlife.

Since 1985, each succeeding farm bill has expanded the range of natural resource problems to be addressed as well as the number of conservation programs and level of funding. The 2014 farm bill reauthorized, repealed, consolidated, and amended a number of conservation programs. Generally, farm bill conservation programs can be grouped into the following categories based on similarities: working land programs, land retirement programs, easement programs, conservation compliance programs, and other programs and overarching provisions (see **text box** below). For more information, see CRS Report R40763, *Agricultural Conservation: A Guide to Programs*.

Most of these programs are authorized to receive mandatory funding (i.e., they do not require an annual appropriation) and include authorities that expire with other farm bill programs at the end of FY2018. Other types of conservation programs—such as watershed programs, emergency land rehabilitation programs, and technical assistance—are authorized in other nonfarm bill legislation. Most of these programs have permanent authorities and receive appropriations annually through the discretionary appropriations process. These programs are not generally addressed in the context of a farm bill unless amendments to the program are proposed.

Issues and Options

Budget and Baseline

The conservation title is one of the larger nonnutrition titles of the farm bill, accounting for 6% of the total projected 2014 farm bill, or $58 billion of the total $956 billion in 10-year mandatory funding authorized (FY2014-FY2023). Current budgetary constraints continue to drive the debate on conservation in a new farm bill. Similar to the conditions during debate on the 2014 farm bill, the current farm bill debate may be driven in part by demand for fiscal restraint. Ultimately the 2014 farm bill reduced the conservation title by $3.97 billion over 10 years, or 24% of the total $16.5 billion in savings. In addition to a reduction in mandatory authorization, the conservation title continues to be affected by budgetary dynamics such as sequestration and reductions through annual appropriations.[85] It remains uncertain what impact these reductions will have on a new

[85] See CRS In Focus IF10041, *Reductions to Mandatory Agricultural Conservation Programs in Appropriations Law*.

farm bill's baseline.[86] While most producers are in favor of conservation programs, it is unclear how much of a reduction in other farm program spending they would be willing to support to expand or maintain conservation efforts.

USDA Farm Bill Conservation Programs and Provisions

Working lands programs are typically classified as programs that allow private land to remain in production while implementing various conservation practices to address natural resource concerns specific to the area.

- Environmental Quality Incentives Program (EQIP), Conservation Stewardship Program (CSP), and Agricultural Management Assistance (AMA).

Land retirement programs provide federal payments to private agricultural landowners for temporary changes in land use and management to achieve environmental benefits. Generally requires removing land from production or to a less intensive use.

- Conservation Reserve Program (CRP)—includes the Conservation Reserve Enhancement Program (CREP), Farmable Wetland Program, and Transition Incentives Program (TIP).

Easement programs impose a permanent or long-term land-use restriction that is voluntarily placed on the land in exchange for a government payment.

- Agricultural Conservation Easement Program (including agricultural land easements and wetland reserve easements) and Healthy Forests Reserve Program (HFRP).

Conservation compliance prohibits a producer from receiving select federal farm program benefits (including conservation assistance and crop insurance) when conservation program requirements for highly erodible lands and wetlands are not met.

- Highly erodible land conservation (Sodbuster), wetland conservation (Swampbuster), and Sodsaver.

Other conservation programs and provisions include Conservation Innovation Grants, Grassroots Source Water Protection Program, Regional Conservation Partnership Program (RCPP), Voluntary Public Access, and Habitat Incentive Program.

Program Backlog

Arguments for expanding conservation in earlier farm bills proved particularly persuasive when documentation was presented of large backlogs of interested and eligible producers that were unable to enroll because of a lack of funds. Debate on a new farm bill could see similar arguments, as demand to participate in many of the conservation programs exceeds the available program dollars several times over. For example, in FY2015 (most recent data available), the working lands programs funded 27% of the applications received for CSP, 31% of the applications received for EQIP, and 12% of the applications received for AMA.[87] The FY2016 CRP general sign-up resulted in 1.9 million acres offered for enrollment and 411,000 acres accepted (22%).[88] The acceptance rate was even lower for the CRP grasslands enrollment, which had over 1 million acres offered and 101,000 accepted acres (10%).[89] Easements under ACEP also faced a limited acceptance rate, with agricultural land easements enrolling 26% of applications and wetland reserve easements accepting 38% of offers in FY2015 (most recent data available). The new RCPP also experienced high demand, accepting 88 of the 147 projects proposed (60%) in FY2017 and 84 of the 265 project proposed (32%) in FY2016. Large, ongoing

[86] For more information, see CRS Report R44758, *Farm Bill Programs Without a Budget Baseline Beyond FY2018*.

[87] NRCS, *FY2017 President's Budget Request*, February 2016.

[88] FSA, *49th CRP Signup Results*, https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Conservation/Excel/su49state0524.xlsx.

[89] FSA, *Grassland Ranking Period 200 Results—Offered and Acceptable Acres*, https://www.fsa.usda.gov/Assets/USDA-FSA-Public/usdafiles/Conservation/Excel/200GrasslandsOfferedAcceptable.xlsx.

backlogs could provide a case for additional funding, while other policy mechanisms could be proposed to reduce demand.

Working Lands or Land Retirement

Land retirement programs (e.g., CRP) provide producers with financial incentives to temporarily remove from production and restore environmentally sensitive land. In contrast, working lands programs (e.g., EQIP) allow land to remain in production and provide producers with financial incentives to adopt resource-conserving practices. Over time, high commodity prices, changing land rental rates, and new conservation technologies have led to a shift in farm bill conservation policy toward an increased focus on conservation working lands programs. Some of this shift has already occurred in the last decade and was continued in the 2014 farm bill as the percentage of mandatory program funding for land retirement programs has declined relative to working lands programs. With lower commodity prices, a new farm bill could shift this focus again, potentially increasing funding for land retirement programs. Most conservation and wildlife organizations support both land retirement and working lands programs, but the appropriate "mix" continues to be debated. With any proposal, it is likely that environmental interests will not support a reduction in one without an increase in the other.

Targeting and Partnerships

Interest is increasing in programs that partner with state and local communities to target conservation funding to local areas of concern. These partnership programs leverage private funding with federal funding to multiply the level of assistance in a select area. A number of these partnership programs were repealed in the 2014 farm bill and replaced with the new Regional Conservation Partnership Program (RCPP). The program receives $100 million annually in mandatory funding and redirects 7% of the funding from other programs—EQIP, ACEP, CSP, and HFRP—to partnership agreements. Now in its fourth year of project selection, RCPP has received considerable interest (see backlog discussion above). Some praise the program's ability to leverage nonfederal funding and incorporate the use of other state and local partners in a targeted effort. Others question whether the program redirects funds to areas with the greatest established support rather than those with the greatest resource concerns.

Compliance Requirements

The 1985 farm bill created the highly erodible lands (HEL) conservation and wetland conservation compliance programs, which tied various farm program benefits to conservation standards.[90] The provision has since been amended numerous times to remove certain benefits and add others. Most recently, the 2014 farm bill added crop insurance premium subsidies as a program benefit that could be denied if conservation standards were not met. In 2015, USDA issued a requirement that to remain eligible for crop insurance premium subsidies, producers must certify their compliance with the conservation compliance provisions through a standard form. Following the 2015 deadline, USDA reported a 98.2% certification rate, suggesting that those not certified were likely no longer farming or had filed forms with discrepancies that may still be reconciled.[91] Despite this high compliance rate, many view the conservation compliance requirements as burdensome, and they continue to be unpopular among producer groups. Since its

[90] For additional information, see CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*.

[91] USDA, "Record Number of Farmers and Ranchers Certified Under 2014 Farm Bill Conservation Compliance," press release, July 10, 2015.

introduction in the 1985 farm bill, conservation compliance has remained a controversial issue, and debate will likely continue.

Environmental Regulation

Farm bill conservation programs are a voluntary federal policy to address environmental impacts related to agriculture. Another way for the federal government to address environmental impacts is through regulation. Increasingly, conservation programs are called upon to prevent or reduce the need for environmental regulation. While a new farm bill debate will not likely focus specifically on environmental regulations—because most environmental law originates outside the House and Senate Agriculture Committees—debate could focus on strengthening the voluntary response to environmental issues through conservation programs. This, in turn, could influence the funding debate and the portion of the overall farm bill budget made available for conservation programs.

Related CRS Reports

- CRS Report R40763, *Agricultural Conservation: A Guide to Programs*
- CRS Report R42459, *Conservation Compliance and U.S. Farm Policy*
- CRS Report R43504, *Conservation Provisions in the 2014 Farm Bill (P.L. 113-79)*
- CRS In Focus IF10041, *Reductions to Mandatory Agricultural Conservation Programs in Appropriations Law*

Rural Development

Since 1973, omnibus farm bills have included a rural development title. How to create and support new competitive advantage in rural areas so these areas can better compete in a global economic environment is a key issue framing current debates about the future of rural America. While the search for new sources of rural economic development is part of the policy equation, also increasingly appreciated is the need to develop new approaches for federal assistance to rural areas that go beyond the largely piecemeal programming that has long characterized rural economic development policy.

The rural development title of farm bills generally provides assistance for rural business creation and expansion and also rural infrastructure with traditional assistance for housing, electrical generation and transmission, broadband, water and wastewater, and economic and institutional capacity in local communities. In the past several farm bills, policymakers have also supported innovative and alternative business development (e.g., bioenergy, value-added production, local food production) and innovative mechanisms to finance it (e.g., the Rural Microentrepreneur Assistance Program). Support for such alternative approaches is expected to continue as policymakers recognize the great diversity among rural communities, with some rural areas growing and prospering and others falling further behind as their primary industries (including agriculture) decline and population outmigration continues, particularly among younger, educated residents.

Existing Farm Bill Provisions

The rural development title of the 2014 farm bill generally reauthorized or amended long-standing programs under the Consolidated Farm and Rural Development Act (P.L. 92-419) and the Rural Electrification Act of 1937. New programs are also authorized under these statutes.

Concerns about how effectively USDA targets its rural development loan and grant assistance have been a recurring consideration for policymakers and rural development practitioners. The general concern is that rural development funding may not be targeted as well or as effectively as it could be. The 2014 farm bill directed USDA to begin collecting data regarding economic activities created through its rural development grants and loans and to measure the short- and long-term viability of award recipients. It also directed USDA to report to Congress every two years on rural employment generation, new business start-ups, and any increased local revenue.

The 2014 farm bill authorized a new Strategic Economic and Community Development initiative to support economic development plans on a multi-jurisdictional basis, giving priority to certain projects and reserving 10% of available appropriations for community facilities, rural utilities, and rural business, among other types of operations. The bill created other rural development programs and/or modified or reauthorized other existing programs. It authorized the Rural Energy Savings Program to provide loans to utility districts and Rural Utility Service borrowers to assist rural households and small businesses in implementing energy efficiency measures. It also authorized the Rural Business Development Grants program, merging the general functions of two grant programs—the Rural Business Enterprise and the Rural Business Opportunity grant programs—which were terminated. It also reauthorized loans and loan guarantees under the Business and Industry Guaranteed Loan Program for locally or regionally produced agricultural food products—those products that travel less than 400 miles between production and marketing—and targeted low-income areas without access to fresh fruits and vegetables. Priority is given to projects benefitting underserved communities (i.e., those with limited access to affordable, healthy foods and with high rates of poverty or food insecurity). Grants were also authorized to fund technical assistance and training.

In addition to these programs, the rural development title includes other provisions to reauthorize and/or amend a wide variety of loan and grant programs that provide further assistance in four key areas: (1) broadband and telecommunications, (2) rural water and wastewater infrastructure, (3) business and community development, and (4) regional development. Each of these programs has authorized discretionary spending subject to annual appropriations, with the exception of one mandatory spending authorization of $150 million for reducing the backlog of pending water and wastewater applications.

The 2014 farm bill also modified the definition of *rural area* for the Housing Act of 1949. The provision increased the maximum eligible population threshold to 35,000 from 25,000 and permits any rural area that was eligible in the 1990, 2000, and 2010 censuses to remain eligible for Rural Housing Service programs until the 2020 decennial census.

Issues and Options

Some policymakers contend that current farm policies, which rely heavily on commodity support for a few production sectors, play a lesser role in the vitality of most rural areas. Rural manufacturing, which tends to be lower-skilled and lower-waged, continues to lose out to foreign competition. While transformation to a service economy continues in rural America, service employment in many rural areas also tends to be in lower-wage personal services rather than business and producer services.

Economic development efforts in some areas have targeted entrepreneurial strategies and microenterprise development, including new markets for value-added agricultural products. Rather than simply seeking to attract relocating businesses, these approaches attempt to capitalize on a particular area's distinctive social, economic, and environmental assets and advantages to

build endogenously on existing local and regional strengths. Developing a regional entrepreneurial culture seems to be an important approach in these efforts.

The mixed success of these and past efforts, as helpful to rural areas as they may be, suggests to many rural development experts and policymakers that the current structure of federal assistance to rural areas needs to be reexamined. For example, regularly tweaking the definition of *rural* to determine eligibility for certain programs seems unlikely to produce significantly improved economic development outcomes. Some contend that greater emphasis on the socioeconomic relations between rural communities and urban areas within a regional context could lay the foundation for more successful rural (and regional) development outcomes. While both the 2008 and 2014 farm bills provided a greater emphasis on regional efforts, some policymakers believe that redesigning existing programs to better target regional efforts could yield positive results. To that end, the 2014 farm bill authorized a new data collecting activity to assess the effectiveness of federal development assistance to rural businesses.

Application processes for program loans and grants can be a barrier for many rural projects, especially those in smaller, poorer rural areas. The way assistance is currently provided (mostly through direct and guaranteed loans) has limitations because it is often driven by individual projects rather than integrated into an overall development strategy. Many rural communities may benefit from technical assistance support for strategic planning. The Obama Administration saw interagency coordination among federal agencies that target rural areas (e.g., Department of Housing and Urban Development, Department of Health and Human Services) as in need of significant improvement.[92]

These are not so much new concerns about federal assistance to rural areas as they are continuing issues identified by rural development experts and rural policymakers. In the current budget environment, it may be difficult to advance substantively new approaches to rural development in a new farm bill. However, with many in Congress concerned that current federal approaches to rural development need to be reexamined and programs better targeted to overall development strategies, a new farm bill is likely the major legislative vehicle to address these issues.

Related CRS Reports

- CRS Report RL31837, *An Overview of USDA Rural Development Programs*
- CRS Report R43718, *Rural Development Provisions in the 2014 Farm Bill (P.L. 113-79)*

Energy

Commercial interest in renewable energy, mainly ethanol and biodiesel production, expanded rapidly with the enactment of the Renewable Fuel Standard (RFS) and in response to a strong rise in domestic and international fuel prices. Many policymakers view agriculture-based biofuels as a catalyst for rural economic development, an important source of demand for agricultural production, and a home-grown response to lowering U.S. dependence on imports of foreign energy. USDA renewable energy programs have been used to incentivize adoption of renewable energy projects including solar, wind, and anaerobic digesters. Initially, the primary focus of these programs was to promote U.S. biofuels production and use—including cornstarch-based ethanol,

[92] On June 9, 2011, the White House issued an executive order to create a new White House Rural Council, which will focus on job training, credit access, regional networks, expansion of health technology, broadband, and other economic development concerns. The council will be led by USDA and include the Departments of the Treasury, Defense, Justice, Interior, Commerce, Labor, Health and Human Services, Housing and Urban Development, Transportation, Energy, Education, Veterans Affairs, and Homeland Security.

soybean-based biodiesel, and cellulosic ethanol—but over time their focus has shifted toward promoting renewable power, biomass-based products, and efforts to bring biomass-based fuel, such as cellulosic ethanol, and other advanced renewable fuels to market.

Many of the federal programs that currently support renewable energy production are outside the purview of USDA and have legislative origins outside of the farm bill. The 2002 farm bill (Farm Security and Rural Investment Act of 2002, P.L. 107-171) was the first omnibus farm bill to explicitly include an energy title. The energy title authorized grants, loans, and loan guarantees to foster research on agriculture-based renewable energy, share development risk, and promote the adoption of renewable energy systems. The 2002 farm bill was followed by two major energy bills (the Energy Policy Act of 2005, P.L. 109-58; and the Energy Independence and Security Act of 2007, P.L. 110-140), which established and expanded the RFS along with several other renewable energy programs.

Existing Farm Bill Provisions

The 2014 farm bill built on the 2008 farm bill, which had refocused earlier biofuels policy initiatives in favor of non-corn feedstocks, especially cellulosic-based feedstocks. This was in response to growing concerns about the emerging spillover effects of increased corn use for ethanol production. Like the 2002 and 2008 farm bills, the 2014 farm bill contained a distinct energy title that extended most of the existing bioenergy programs. In reauthorizing these programs, Congress significantly reduced mandatory funding, which was lowered to $694 million (FY2014-FY2018) from $1 billion under the 2008 farm bill. Discretionary funding authorization was also reduced to $765 million from $1.1 billion under the 2008 farm bill. Subsequent to the enactment of the 2014 farm bill, Congress has rescinded or reduced funding for a number of these programs through annual appropriations bills. Congress has also generally refrained from providing discretionary funding for these programs, with the exception of limited funds it has appropriated for the Rural Energy for America Program (REAP) and the Sun Grant Initiative. While most of the farm bill energy programs are authorized in the energy title, several programs are contained in other titles.

Among significant changes to these programs that were ushered in by the 2014 farm bill, Congress made a number of substantive changes to BCAP, including lowering rates for establishment and matching payments, altering eligibility requirements, and sharply curbing the previously open-ended availability of funding. The 2014 law also precluded the use of REAP funding for retail energy dispensers (such as blender pumps) and repealed the Forest Biomass for Energy Program and the Agricultural Bioenergy Feedstock and Energy Efficiency Research and Extension Initiative, in addition to several bioenergy-related studies. The Rural Business-Cooperative Service within USDA's Rural Development Agency administers the major grant, loan, and loan guarantee programs—BAP, RAP, and REAP. In contrast, FSA administers BCAP, and NIFA administers BRDI.

Issues and Options

Among the farm bill's bioenergy programs, only REAP is authorized beyond FY2018, as the law provides mandatory funding for REAP for FY2014 and each fiscal year thereafter. Mandatory baseline funding authority for several other bioenergy programs expires prior to FY2018, including RAP (after FY2014), BAP (FY2016), and BRDI (FY2017). An upcoming farm bill could provide an opportunity for Congress to consider the ongoing utility of these programs in light of budgetary constraints. For instance, mandatory funding for BCAP, which was authorized at "such sums as necessary" in the 2008 farm bill, was limited to $25 million annually under the

2014 farm bill. Since then, Congress has further limited funding for BCAP through annual appropriations laws, most recently limiting it to $3 million for FY2016.

Most of these programs were conceived in a prior era when oil prices were higher, the United States was more dependent on imported energy, and new techniques for extracting tight oil deposits and shale gas (such as directional drilling and hydraulic fracturing) were not being deployed widely enough to bring onto the market transformational quantities of domestic oil and gas. These changes largely occurred after the 2008 farm bill was enacted. At the same time, biofuels and renewable energy may have tangible advantages in that they are not derived from finite resources, can offer environmental benefits compared with traditional energy alternatives, and can provide an economic benefit to rural America. These are among the considerations that Congress could weigh as it considers the direction of energy policy and the role of a new farm bill in defining the opportunities the agricultural sector and rural America may have in contributing to the country's energy future.

Related CRS Reports

- CRS Report R43416, *Energy Provisions in the 2014 Farm Bill (P.L. 113-79): Status and Funding*
- CRS In Focus IF10288, *Overview of Bioenergy Programs in the 2014 Farm Bill*
- CRS Report R41296, *Biomass Crop Assistance Program (BCAP): Status and Issues*
- CRS Report R41106, *The Renewable Fuel Standard (RFS): Cellulosic Biofuels*
- CRS Report R43206, *Energy Tax Policy: Issues in the 114th Congress*
- CRS Report R43148, *An Overview of Unconventional Oil and Natural Gas: Resources and Federal Actions*

Forestry

Existing Farm Bill Provisions

One-third of the land area in the United States is forestland (766 million acres).[93] These lands provide wood for lumber, plywood, paper, and other materials, as well as a host of ecological services, including recreation, clean water, wildlife habitat, and more. The federal government owns one-third of the forestland in the United States (238 million acres), and nonindustrial private landowners (private, noncorporate entities that do not own wood processing facilities) own 298 million acres (39%).[94]

The Forest Service is the principal federal forest management agency, managing 19% of all U.S. forestlands (145 million acres). In addition to administering the National Forest System (NFS),[95] the Forest Service provides technical and financial assistance—primarily through state forestry agencies—to nonfederal landowners. The Forest Service also conducts research to advance the science of forestry and engages in international forestry assistance and research efforts.

Past farm bills have contained forestry provisions or a separate forestry title. Although many forestry provisions are permanently authorized, a new farm bill would allow Congress to modify programs to support assistance to nonfederal forest owners, forest research, and the management

[93] S. N. Oswalt et al., *Forest Resources of the United States, 2012*, General Technical Report WO-91, October 2014.

[94] The remaining 230 million acres are owned by states, other public entities, and private corporate landowners (e.g., timber investment trusts).

[95] The 193 million acre NFS includes 145 million acres of forestland and 48 million acres of grasslands and woodlands.

of federal forests. The forestry title of the 2014 farm bill repealed, modified, created, and reauthorized several forestry programs.[96] For example, the 2014 farm bill permanently authorized stewardship contracting and extended the good neighbor authority nationwide.[97] A new farm bill may modify existing programs and possibly establish new options for forestry research, management of federal lands, and assistance to nonfederal forest owners.

Issues and Options

Among the issues that might be considered in a new farm bill's forestry title are expanded wildfire protection, support of woody biomass for energy, and additional controls to address invasive species.

The threat of wildfires to forests, communities, and homes seems to have grown. The 2002 farm bill authorized a new community wildfire protection program, but the program has been funded only as part of state fire assistance. New programs to enhance wildfire protection on both federal and nonfederal lands might be considered in a new farm bill.

Interest in producing energy from woody biomass and other renewable sources (as discussed above) derives from both supply and demand. Supply could come from efforts to reduce wildfire threats and to control invasive species. Demand is likely to be driven by state and federal requirements for renewable transportation fuels and possibly for electricity production. Many of the energy programs face budgetary challenges, and a new farm bill might extend, expand, alter, or terminate these programs or possibly replace them with alternative approaches.

Invasive species, typically exotic plants and animals, are increasingly displacing or harming native plants and animals in the United States and worldwide. Invasive species have been described as one of the four major threats to the nation's forests and rangelands. Options and opportunities to prevent and control the spread of invasive species, especially forest pests and especially on private forestlands, might be a farm bill issue.

Related CRS Reports

- CRS Report R41213, *Forestry in the Next Farm Bill*
- CRS Report R43431, *Forestry Provisions in the 2014 Farm Bill (P.L. 113-79)*
- CRS Report RL31065, *Forestry Assistance Programs*

[96] For more information, see CRS Report R43431, *Forestry Provisions in the 2014 Farm Bill (P.L. 113-79).*

[97] Stewardship contracting authorizes the Forest Service (and Bureau of Land Management in the Department of the Interior) to enter in to dual service and timber sale contracts for up to 10 years to achieve certain land management goals. The good neighbor authority allows the two agencies to enter into agreements authorizing state agencies to conduct watershed restoration and protection projects on neighboring national forest land.

Appendix. Titles and Subtitles of the 2014 Farm Bill (Agricultural Act of 2014, P.L. 113-79)

I. Commodities
- A. Repeals and Reforms
- B. Marketing Loans
- C. Sugar
- D. Dairy

II. Conservation
- A. Conservation Reserve Program
- B. Conservation Stewardship Program
- C. Environmental Quality Incentives Program
- D. Agricultural Conservation Easement Program
- E. Regional Conservation Partnership Program
- F. Other Conservation Programs
- G. Funding and Administration
- H. Repeal of Superseded Program Authorities and Transitional Provisions; Technical Amendments

III. Trade
- A. Food for Peace Act
- B. Agricultural Trade Act of 1978
- C. Other Agricultural Trade Laws

IV. Nutrition
- A. Supplemental Nutrition Assistance Program
- B. Commodity Distribution Programs
- C. Miscellaneous

V. Credit
- A. Farm Ownership Loans
- B. Operating Loans
- C. Emergency Loans
- D. Administrative Provisions
- E. Miscellaneous

VI. Rural Development
- A. Consolidated Farm and Rural Development Act
- B. Rural Electrification Act of 1936
- C. Miscellaneous

VII. Research, Extension and Related Matters
- A. National Agricultural Research, Extension, and Teaching Policy Act of 1977
- B. Food, Agriculture, Conservation, and Trade Act of 1990
- C. Agricultural Research, Extension, and Education Reform Act of 1998

D. Other Laws
E. Food, Conservation, and Energy Act of 2008
F. Miscellaneous Provisions
VIII. Forestry
A. Repeal of Certain Forestry Programs
B. Reauthorization of Cooperative Forestry Assistance Act of 1978 Programs
C. Reauthorization of Other Forestry-related Laws
D. Miscellaneous Provisions
IX. Energy
X. Horticulture
XI. Crop Insurance
X11. Miscellaneous
A. Livestock
B. Socially Disadvantaged Producers and Limited Resource Producers
C. Other Miscellaneous Provisions
D. Oilheat Efficiency, Renewable Fuel Research and Jobs Training

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