



CRS Report for Congress

Farm Bill Budget and Costs: 2002 vs. 2007

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Summary

Since many provisions of the current omnibus farm bill (P.L. 107-171, the Farm Security and Rural Investment Act of 2002) expire soon, the 110th Congress is in the process of considering a new farm bill. Unlike the 2002 farm bill, which was crafted at a time of large budget surpluses, the current farm bill debate is being driven in part by relatively large budget deficits and growing demands for fiscal constraint. Questions frequently asked about farm bill spending are: What is the estimated cost of the expiring 2002 farm bill? How much more or less has actually been spent on the 2002 farm bill than what was estimated at the time of enactment? What is the estimated cost of the House- and Senate-passed versions of the 2007 farm bill (H.R. 2419)? This report answers these questions in terms of the actual expenditures on current major farm bill programs, and projections of the Congressional Budget Office (CBO) for spending under current law and in the House- and Senate-passed 2007 farm bills.

The Cost of the 2002 Farm Bill

The total six-year (FY2002-FY2007) cost of the major provisions of the 2002 farm bill was \$270.2 billion, or an average of \$45.0 billion per year. Of this amount, \$178.2 billion, or nearly two-thirds, was for the food stamp program, while \$92.1 billion was for the three major categories of farm support: farm commodity programs, conservation, and trade. (See **Table 1**.) All of these programs are defined as mandatory spending, which means that eligibility is determined by their authorizing statute (the 2002 farm bill), and any person or business that meets the eligibility requirements is entitled to the benefits authorized by the law.¹

¹ Mandatory farm bill spending for research, rural development, and energy are relatively small and are not included in this report. The farm bill also authorizes appropriations for many U.S. Department of Agriculture (USDA) discretionary programs. Spending for these programs is ultimately determined in annual appropriations bills, not by the farm bill, and is not part of this analysis.

Table 1. Actual Cost of Major Provisions of the 2002 Farm Bill
(outlays in million \$)

	Farm Commodity Programs	Conservation	Exports	Subtotal, Farm Support	Food Stamps	Grand Total, Farm Support and Food Stamps
FY2002	13,164	2,286	416	15,866	22,069	37,935
FY2003	12,125	2,758	503	15,386	25,325	40,711
FY2004	8,021	2,729	13	10,763	28,621	39,384
FY2005	14,120	3,443	223	17,786	32,614	50,400
FY2006	16,903	3,420	231	20,554	34,620	55,174
FY2007	8,027	3,475	219	11,721	34,885	46,606
Total, 6-yr cost	72,360	18,111	1,605	92,076	178,134	270,210
Annual Average	12,060	3,019	268	15,346	29,689	45,035

Source: Compiled by CRS, using actual spending data from USDA and CBO for FY2002-FY2007.

Of the six-year spending of \$92.1 billion for total farm support (commodities, conservation, and trade), \$72.4 billion (79%) was for the farm commodity programs. The commodity programs support the incomes of farmers producing grains, oilseeds, cotton, peanuts, sugar, and milk. Commodity-related spending depends substantially on farm market prices and so can vary widely from year to year. Although farm commodity spending has averaged \$12.1 billion per year since FY2002, actual annual spending ranged from a high of \$16.9 billion in FY2006 to lows of \$8.0 billion in both FY2004 and FY2007.

The other major category of farm support in the 2002 farm bill is conservation. Several mandatory conservation programs compensate farmers for retiring environmentally fragile land (primarily the Conservation Reserve Program and the Wetlands Reserve Program) and for instituting resource stewardship practices (e.g., the Environmental Quality Incentives Program and the Conservation Security Program), among other things. All of the mandatory conservation programs accounted for \$18.1 billion over the six-year life of the 2002 farm bill, or an average of \$3.0 billion per year. Spending for the mandatory conservation programs is less volatile and more predictable than the commodity programs, since most of the conservation programs receive a fixed authorized level of spending (or maximum acreage enrollment).

The 2002 farm bill also contains funding authority for several mandatory agricultural export programs (including the Market Access Program, Export Enhancement Program, Export Donations, and the Foreign Market Development Cooperator Program). Total estimated six-year spending (FY2002-FY2007) for these programs is \$1.6 billion, an average of \$268 million per year.

**Table 2. Cost of the 2002 Farm Bill:
Actual Cost vs. CBO Estimate at Time of Enactment**
(outlays in million \$)

	Annual Average, FY2002-FY2007		6-Year Total		Amount actual spending was over (+) or under (-) 2002 CBO Estimate
	2002 CBO Estimate	Actual Cost	2002 CBO Estimate	Actual Cost	
Farm Commodities	15,697	12,060	94,185	72,360	(-) 21,825
Conservation	3,132	3,019	18,794	18,111	(-) 683
Exports	296	268	1,775	1,605	(-) 170
Subtotal, Farm Spending	19,125	15,346	114,754	92,076	(-) 22,678
Food Stamps	24,898	29,689	149,387	178,134	(+) 28,747
Grand Total, Farm Spending & Food Stamps	44,023	45,039	264,141	270,210	(+) 6,069

Source: Compiled by CRS. The “2002 CBO Estimate” represents the March 2002 CBO baseline combined with the CBO estimate for new spending in the 2002 farm bill. The “actual cost” is actual USDA spending for FY2002-FY2007 from **Table 1**.

2002 Farm Bill Costs: Actual Cost vs. 2002 Estimates

Each year, the Congressional Budget Office (CBO) issues a baseline budget for all federal spending under current law over a multi-year period. Projected spending in the baseline represents CBO’s estimate at a particular point in time of what federal spending and revenues likely would be under current law if no policy changes were made over the projected period. The baseline serves as a benchmark or starting point for future budget analyses. Whenever new legislation (such as a farm bill) is introduced that affects federal mandatory spending, its impact is measured by CBO as a difference from the baseline.

When the 2002 farm bill was enacted in May 2002, CBO estimated that the six-year cost (FY2002-FY2007) of the major farm support programs (commodities, conservation, and trade) would be \$114.75 billion, or an average of \$19.1 billion per year (see **Table 2**, above). Actual spending for these programs over the six-year life of the 2002 farm bill was \$92.1 billion (an average of \$15.3 billion per year), or a total of \$22.7 billion below the 2002 CBO estimate. Almost all of the difference between the 2002 CBO estimate and actual spending was accounted for within the farm commodity support programs, as stronger than expected commodity market prices (particularly for corn) reduced the need for counter-cyclical payments. Conversely, actual food stamp spending over the six-year period was significantly higher than originally projected in 2002 (\$178 billion actual vs. \$149 billion estimated in 2002), as program participation rates exceeded earlier estimates. When farm spending is combined with food stamp spending, the actual six-year cost of the major provisions of the 2002 farm bill (\$270.2 billion) is relatively close to the 2002 CBO estimate (\$264.1 billion).

As part of the budgetary nature of mandatory programs, whenever actual spending is below the original cost estimate, this does not create savings that can be used to either reduce the deficit or finance future spending. Likewise, if actual spending turns out to be above the original budget estimate, no budgetary offsets are required.

CBO's March 2007 Baseline Budget Estimate

Table 3, below, summarizes CBO's most recent (March 2007) baseline budget estimate for the major mandatory USDA programs. It is CBO's estimate of future spending under current law (the 2002 farm bill) for these programs over the next five years (the expected span of the next farm bill) given generally expected economic and market conditions.

CBO projects that total farm support (commodities, conservation, and trade) spending under current law over the next five years will be \$59.8 billion, which is about \$16.4 billion less than the amount actually spent over the last five years (FY2003-FY2007). This lower estimate is driven primarily by projections for sustained high commodity prices for the foreseeable future. The \$16.4 billion reduction consists of about \$22.7 billion in reduced commodity spending, but about \$5.7 billion in increased conservation spending, and \$482 million in increased export spending. In contrast, spending for food stamps under current law is expected to increase by about \$30 billion over the five-year period.

The FY2008 budget resolution (S.Con.Res. 21), adopted by Congress in 2007, established the fiscal parameters for spending on the next farm bill. The resolution allowed the agriculture committees to formulate legislation at the same projected cost level as current law. Any change made to current law (both new spending and reductions) is scored by CBO against the baseline to determine whether the new farm bill is budget-neutral. A separate provision in the FY2008 budget resolution allocated a deficit-neutral reserve fund of up to \$20 billion over five years (FY2008-FY2012) to the agriculture committees for the next farm bill. However, any spending from this fund would have to be offset with comparable spending reductions elsewhere or by revenue increases.

Table 3. CBO's March 2007 Baseline Estimates for Major Farm Bill Programs, FY2008-FY2012, Compared with FY2003-FY2007 Actual Spending
(outlays in million \$)

	Farm Commodity Programs	Conservation	Exports	Subtotal, Farm Support	Food Stamps	Grand Total, Farm Support and Food Stamps
FY2008	7,454	3,988	334	11,776	36,108	47,884
FY2009	7,560	4,159	334	12,053	36,641	48,694
FY2010	7,238	4,196	335	11,769	36,898	48,667
FY2011	7,095	4,439	334	11,868	37,635	49,503
FY2012	7,191	4,774	334	12,299	38,722	51,021
5-year total, FY08-FY12	36,538	21,556	1,671	59,765	186,004	245,769
Previous 5-year actual, FY03-FY07	59,196	15,825	1,189	76,210	156,089	232,299
Difference between FY08-FY12 baseline and FY03-FY07 actual	(22,658)	5,731	482	(16,445)	29,915	13,470

Source: Compiled by CRS using CBO's March 2007 baseline budget estimates (FY2008-FY2012) and actual spending data from USDA for FY2003-FY2007.

Projected Cost of the Next Farm Bill

The House and the Senate have passed their respective versions of the next farm bill (H.R. 2419). Over the five-year time frame (FY2008-FY2012) of the proposed farm bill, total spending is estimated by CBO to be \$286.0 billion in the House-passed bill and \$285.6 billion in the Senate-passed version. **Table 4** provides a breakdown of spending in each bill by major program area. Each bill has as its basis the March 2007 CBO baseline budget, which contains \$280.3 billion in projected spending for all farm bill-related programs. CBO estimates new authorized spending (above the baseline) of \$5.7 billion in the House-passed bill and \$5.3 billion in the Senate-passed version. As required by the FY2008 budget resolution, this new spending must be offset by comparable reductions in spending or increases in revenue. The House bill contains \$6.0 billion and the Senate version \$5.0 billion in revenue offsets that in effect make both versions close to being budget-neutral. These offsets are outside the jurisdiction of the agriculture committees, but were provided by actions taken in the House Ways and Means and Senate Finance Committees.

Table 4. CBO Estimated Costs for the House and Senate 2007 Farm Bills (FY2008-FY2012)

	Commodity Support	Conser- vation	Energy	Trade/ Aid	Nutrition	Crop Insur.	Other ^a	Total
	(Outlays in Billion \$)							
House Farm Bill	5-Year Total (FY2008-FY2012)							
March 2007 Baseline	36.5	21.6	0.0	1.7	192.2	25.7	2.6	280.3
CBO Score:House Bill	(1.1)	3.0	2.4	0.6	4.2	(4.0)	0.6	5.7
Total Est. Spending	35.4	24.6	2.4	2.3	196.4	21.7	3.5	286.0
Offsets/Revenue ^b	—	—	—	—	—	—	—	(6.0)
Estimated Cost after Offsets/Rev.	—	—	—	—	—	—	—	280.0
Senate Farm Bill	5-Year Total (FY2008-FY2012)							
March 2007 Baseline	36.5	21.6	0.0	1.7	192.2	25.7	2.6	280.3
CBO Score: Senate Bill	(4.0)	4.7	1.0	0.1	5.3	(3.7)	1.9	5.3
Total Est. Spending	33.0	26.0	1.0	1.8	197.5	22.0	4.5	285.6
Offsets/Revenue ^b	—	—	—	—	—	—	—	(5.0)
Estimated Cost after Offsets/Rev.	—	—	—	—	—	—	—	280.6

Source: Compiled by CRS using the Congressional Budget Office (CBO) March 2007 baseline and the CBO scores of the House-passed farm bill (H.R. 2419) and the Senate-passed substitute amendment to H.R. 2419, as of late January 2008. Both the House and Senate scores reflect enactment of the energy act and the Consolidated Appropriations Act, 2008.

- a. In the March 2007 baseline, the “other” category includes agricultural research, rural development, and forestry, among other areas of spending. “Other” in the House 2007 farm bill is primarily for new specialty crop assistance, and minority and beginning farmer assistance. “Other” in the Senate farm bill includes new spending for a permanent disaster payment program, specialty crop assistance, and rural development.
- b. “Offsets/revenue” represents offsetting receipts and increases in revenue that are included in the House and Senate farm bills, but are outside the jurisdiction of the agriculture committees. These are included in the bill to offset the cost of new spending in the House and Senate bills that is in excess of the budget baseline.