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CRS Report for Congress

The FY2009 Budget Request for the U.S. Department of Agriculture

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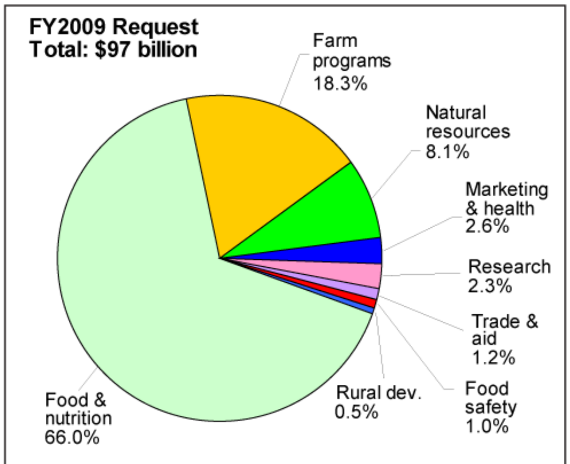
Summary

The U.S. Department of Agriculture (USDA) requests $97 billion in budget authority for FY2009, including $76 billion in mandatory funds for food stamps, child nutrition, and farm subsidies. Discretionary budget authority would increase to $21 billion in the proposal, up 1.6% from FY2008. Food safety and animal health protection programs would increase, while several conservation, research, and rural development programs would be reduced or eliminated. This report will not be updated, but will be followed by a CRS report tracking the FY2009 agriculture appropriations bill.[1]

Overview

The Administration's budget request for the U.S. Department of Agriculture (USDA) is $97 billion for FY2009, up 5.1% from the FY2008 appropriation. Nutrition assistance and crop insurance account for most of the increase. The discretionary subtotal is $21 billion, up 1.6%. Natural resources, research, and rural development would receive less. Animal and plant health and food safety programs would receive more.

Figure 1. USDA Budget Authority, FY2009



Source: CRS, using USDA, *FY2009 Budget Summary, p. 89*

Two-thirds of USDA's budget is for domestic food and nutrition assistance (**Figure 1**). Most of the

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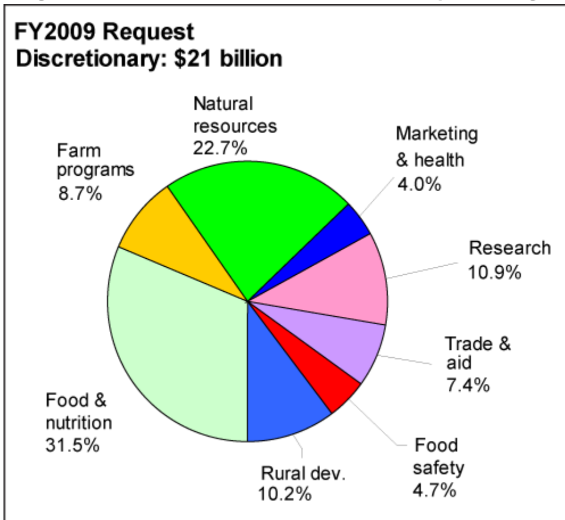
[1] Also contributing to this report: CRS analysts Geoffrey S. Becker (food inspection, and marketing and regulatory programs), Ralph M. Chite (crop insurance), Tadlock Cowan (rural development), Charles E. Hanrahan (agricultural trade), Renée Johnson (conservation), Jean M. Rawson (agricultural research), and Joe Richardson (domestic food assistance).

nutrition programs and the farm commodity programs are mandatory spending, meaning that eligibility rules and market conditions determine outlays. Mandatory programs account for nearly 80% of USDA's budget.

The appropriations committees have more influence on discretionary spending (**Figure 2**). These programs include USDA salaries and expenses, research support, loans and grants, international food aid, food safety, and disease management.

Figure 2. USDA Discretionary Budget



Source: CRS, using USDA, *FY2009 Budget Summary*, p. 89

Appropriations Jurisdiction. The agriculture subcommittees of the House and Senate Appropriations Committees have jurisdiction over all of the USDA budget except for the $4.5 billion Forest Service, which is funded in the Interior appropriations bill. Beyond USDA, the agriculture appropriations bill covers the Food and Drug Administration and, in the House, the Commodity Futures Trading Commission.

Farm Support

Commodity Support. USDA administers farm price and income support programs for commodities such as grains, cotton, oilseeds, dairy, peanuts, and sugar. These mandatory programs (as well as certain conservation and trade programs) are funded through USDA's Commodity Credit Corporation (CCC), which has a $30 billion line of credit with the U.S. Treasury.

The Administration customarily requests "such sums as necessary" to replenish the borrowing authority of the CCC, and expects to transfer about $11.1 billion in FY2009. USDA estimates that FY2009 outlays to farmers will be $6.5 billion, nearly equal to estimates for FY2008 and down from $16.9 billion in FY2006. The decreases are primarily the result of higher market prices, which reduce the need for counter-cyclical assistance. Adding certain conservation and trade programs that also are paid by CCC, total estimated FY2009 CCC outlays would be $10.5 billion. Actual outlays could change depending on market conditions and provisions included in a new 2008 farm bill (H.R. 2419) that is pending conference negotiations. To administer the farm commodity and loan programs, the Administration requests a discretionary appropriation of $1.5 billion for Farm Service Agency (FSA) salaries and expenses, up about 6% over FY2008.

Crop Insurance. As is customary, the Administration requests "such sums as necessary" for the mandatory Federal Crop Insurance Fund (FCIC). It estimates that $6.3 billion of budget authority will be needed, up significantly from $4.1 billion estimated for FY2008 given an expectation of greater crop losses than last year's record low. Separately, a discretionary appropriation of $77.2 million ($1.5 million above FY2008) is requested for salaries and expenses at USDA's Risk Management Agency to administer the crop insurance program.

Agricultural Credit. The Administration's FY2009 budget requests $154 million of loan subsidy (up 3.7% from FY2008) to support $3.4 billion in authority for farm loans (up 0.4%). The direct loan program would grow almost 5% while the guaranteed loan program would decrease about 1%. This is opposite the general trend over the last decade. Administrative expenses would increase by 7.8% to $333 million.

Conservation

The Administration proposes $801 million for discretionary conservation programs in FY2009, a reduction of 15% from FY2008. It also estimates $4.6 billion for mandatory programs, a net $16 million increase composed of increases and decreases.

For discretionary programs, USDA requests $795 million for Conservation Operations, down $46 million. The request calls for no funding for several programs, including Watershed and Flood Prevention Operations ($30 million in FY2008), Watershed Surveys and Planning ($0 in FY2008), Healthy Forests Reserve ($2 million in FY2008), Resource Conservation and Development (RC&D, $51 million in FY2008), and the Grazing Lands Conservation Initiative. The request reduces funding for the Watershed Rehabilitation Program to $6 million (down $14 million).

For the mandatory conservation programs, the Conservation Reserve Program (CRP) would receive $1.9 billion for FY2009, a reduction of $45 million from FY2008. Other mandatory programs with lower funding requests are the Wildlife Habitat Incentives Program (WHIP) and the Conservation Security Program. Although requested spending for the Environmental Quality Incentives Program (EQIP) would increase 5% to $1.05 billion, it is still short of the farm bill-authorized $1.27 billion. The Administration's request reserves $775 million to implement changes under its farm bill proposal.

Agricultural Research

The Administration proposes a total of $2.3 billion for USDA's research, extension, and economics mission area in FY2009. This includes $1.05 billion for the Agricultural Research Service (ARS, USDA's intramural science agency), down 10% from FY2008. Of the total, $1.04 billion would support ARS's research activities, and $13.2 million would support the planning of a biocontainment laboratory in Athens, Georgia. The Administration again proposes to terminate more than 100 ARS research projects that it identifies as lower-priority congressional add-ons, and to redirect some of the funds to support research on food safety, plant and animal health, and obesity prevention.

The Administration proposes $1.0 billion in FY2009 for the Cooperative State Research, Education, and Extension Service (CSREES, federal support to land grant colleges of agriculture), down 15% from FY2008. The request increases the proportion of funds awarded competitively by reducing formula-funded programs and transferring seven other programs to the National Research Initiative (NRI) competitive grants program. The Administration proposes $256.5 million for the NRI, an increase of 34%. As in past years, the Administration targets Special Research Grants that Congress uses to support research projects at specific land grant institutions for a substantial decrease. The budget also trims 5% from the outreach activities of the Extension System and cuts many congressionally directed grants for extension projects.

The Administration proposes $82.1 million for USDA's Economic Research Service (+6%), and $153.5 million for the National Agricultural Statistics Service, a decrease of 5% to reflect the changing funding needs to complete the 2007 Census of Agriculture.

Meat and Poultry Inspection

USDA's Food Safety and Inspection Service (FSIS) conducts mandatory inspection of meat, poultry, and processed egg products to insure their safety and proper labeling. The FY2009 budget proposes a $1.092 billion program level, of which $140 million would be funded by existing user fees, and $952 million by appropriation. The $952 million is $22 million above the FY2008 appropriation. The Administration also proposes new user fees to offset another $96 million in annual appropriations.

Marketing and Regulatory Programs

For the Animal and Plant Health Inspection Service (APHIS), the federal agency that protects agriculture from pests and diseases, the FY2009 budget requests an appropriation of $926 million, up about 7% from FY2008. Another $241 million in existing user fees and trust funds would bring the APHIS program level to $1.167 billion. APHIS wants authority for new user fees for animal welfare activities ($9 million) and biotechnology regulation license fees ($11 million).

For the Agricultural Marketing Service (AMS), notable changes include a proposal to eliminate the $4.8 million Microbiological Data Program, no funds for the $8.5 million Specialty Crop Block Grant Program, and proposed new user fees of $10 million to pay for compliance monitoring of mandatory country-of-origin labeling, which is to take effect for red meats, produce, and peanuts on October 1, 2008.

For the Grain Inspection, Packers and Stockyards Administration, the Administration proposes new license fees to cover the cost of grain standardization ($22 million) and some Packers and Stockyards activities ($5 million).

Domestic Food Assistance

Domestic food assistance represents the majority of the USDA budget. USDA requests domestic food aid appropriations totaling $64.1 billion for FY2009, an increase of $4.1 billion (+6.8%) over FY2008 enacted estimates. It projects spending (obligations) to increase by less, to $61.4 billion (+4.2%). Most of these programs are mandatory spending, including food stamps, The Emergency Food Assistance Program (TEFAP), nutrition assistance grants for Puerto Rico and outlying areas, the Food Distribution Program on Indian Reservations (FDPIR), and child nutrition programs like the School Lunch program. Major discretionary programs include the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) and the Commodity Supplemental Food Program (CSFP).

With the exception of WIC and CSFP, the FY2009 budget proposes "full funding" for domestic food assistance based on projections of participation and inflation. It also provides $3.15 billion of contingency funds for Food Stamps and WIC in case the Administration's estimates for FY2009 are insufficient.

FY2009 appropriations for programs in the food stamp account (food stamps, Puerto Rico and outlying areas, TEFAP, the FDPIR) would increase to $43.3 billion (up $3.6 billion), and child nutrition programs would increase to $14.456 billion (up $555 million). These increases are driven by expected new participants and benefit indexing.

Appropriations for the WIC program would grow to $6.1 billion in FY2009, up about 1.3% from FY2008. This reflects an increase in participation and food costs, offset by a proposal to limit payments for WIC nutrition services and administration, and to restrict WIC eligibility for Medicaid recipients (also proposed for FY2008 but rejected by Congress). USDA again proposes (as it did unsuccessfully for FY2007 and FY2008) to terminate the CSFP. Proposed savings of over $140 million from this action would be offset initially with some increased costs for food stamp outreach and benefits to former CSFP recipients ($62 million, covered by the FY2009 request for food stamps).

Agricultural Trade and Food Aid

USDA's international activities are funded by discretionary appropriations (e.g., foreign food assistance under P.L. 480) and by using the borrowing authority of the CCC (e.g., export credit guarantees, market development programs, and export subsidies). Combined, the total program value for FY2009 would be $4.965 billion, with $1.475 billion appropriated. The FY2009 program level is $481 million more than FY2008 (+11%), with most of the difference accounted for by increases in short-term export credit guarantees. The Administration requests an appropriation of $173 million for the Foreign Agricultural Service (FAS) to administer its international programs.

For P.L. 480, USDA requests a $1.2 billion appropriation for Title II commodity donations but, with recent food price inflation, that appropriation would purchase far fewer commodities than in recent years. The President's budget requests no funds for P.L. 480 Title I loans, nor any for the Bill Emerson Humanitarian Trust, which currently holds 917,000 metric tons of wheat and $117 million in cash. The budget assumes $340 million of CCC funds for Food for Progress (FFP) to aid emerging democracies, and a constant $100 million appropriation for the McGovern-Dole International Food for Education and Child Nutrition Program. The Administration again proposes to allow USAID to use up to 25% of P.L. 480 Title II funds for local or regional purchases in food crises. Congress has rejected similar requests annually since FY2006.

CCC export credit guarantee programs finance U.S. agricultural exports. USDA requests $2.6 billion in short-term guarantees, $75 million in guarantees to finance agriculture-related facilities in emerging markets, and no long-term guarantees. The fee structure is risk-based, and high-risk countries are eliminated. The Market Access Program (MAP), which promotes sales of high-value products, would receive its authorized level of $200 million. Pending a new farm bill, no funding is incorporated for the Foreign Market Development Program (FMDP), the Emerging Markets Program (EMP), and the Technical Assistance for Specialty Crops Program (TASC).

Rural Development

Three agencies are responsible for rural development: the Rural Housing Service (RHS), the Rural Utilities Service (RUS), and the Rural Business-Cooperative Service (RBS). For FY2009, USDA requests an appropriation of $2.14 billion in budget authority to support $14.89 billion of direct loans, guarantees, and grants. The FY2009 request is approximately $198 million less in budget authority and $3.57 billion less in program level than estimated for FY2008. The budget authority is divided, with $1.08 billion for RHS (+23%), $301 million for RUS (-51%), $49 million for RBS (-71%), and $700 million in salaries and expenses to administer the programs.

In RHS, the Administration proposes terminating direct loans for the rural multifamily rental housing program (Section 515), the single family housing program (Section 502), and the farm labor housing program (Section 514/516). Rental Assistance grants would increase to $997 million, up 93%. For the Community Facilities account, USDA requests $23 million of budget authority for loans, but $0 for grants. This is $46 million less than FY2008, although loan levels are up slightly.

For the RUS water and waste disposal program, USDA requests $269 million in budget authority (half of the FY2008 amount) to support $1.30 billion in loans (+28%). It requests $20 million (-43%) for grants in the Distance Learning and Telemedicine Program and no funds for direct loans. For broadband programs, USDA requests a constant $298 million of direct loan authority and no funding for broadband grants (down $13 million). USDA requests no funding for High Energy Costs Grants, Value-Added Producer Grants, and Alternative and Renewable Energy loans and grants.

For the RBS Business and Industry Guaranteed Loan program, USDA requests $30 million in budget authority (-30% from FY2008), while eliminating other grant programs. It requests no funding for the Empowerment Zones/Enterprise Communities program.