

Farm Bill FAQ

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1. Why is there a Farm Bill?

The original Farm Bill, officially known as the Agriculture Adjustment Act, was passed by Congress in 1933. It aimed to address low crop prices, which had been dropping all through the 1920s and into the early '30s due to technological advancements in farming. These advances had steadily increased supplies of staple crops, pushing prices down so far that farm families could no longer use the proceeds to pay their mortgages and bank loans. The Act gave incentives to farmers for not planting and enabled the government to buy excess crops directly, both of which raised prices. The Farm Bill still exists today as a mechanism to keep crop prices stable for farmers and consumers.

2. What are the important, enduring parts of the first Farm Bill?

The Agriculture Adjustment Act of 1933 defined a list of “basic commodities,” which were in part defined as crops that needed some processing before they could be consumed. The prices of these crops, Congress reasoned, had an outsized effect on the prices of other essential goods and so needed to be stabilized. The Act established the Commodity Credit Corporation (CCC), overseen by the Secretary of Agriculture, to help farmers deal with surplus commodities through loans and direct payments. The loans were given so that farmers could store surpluses until the prices once again rose, a function of the CCC still in effect today.

The CCC had to deal with farmers who could not repay these loans, however, and eventually it was allowed for farmers to instead forfeit their stored, surplus crop. The CCC was then tasked with the distribution of the surplus food, a forerunner to modern programs that divert surplus foods to domestic and international food programs. The Agriculture Act of 1935 officially gave the CCC the authority to directly buy surpluses from farmers, diverting the excess out of the marketplace before it affected prices, and it defined the types of programs to which the CCC could distribute the surplus, such as school lunch programs, non-profit summer camps for children, domestic charities, and needy families.

Over the last 85 years, the U.S. has maintained food donations to domestic and international groups through these established mechanisms, but there are challenges in sending aid only when the U.S. happens to have a surplus. School cafeterias, for example, need to plan how much food to buy and how much to charge for lunch, and international aid organizations establish credibility by sending food promptly when a disaster strikes. To address these issues, the programs have changed. The National School Lunch Program, for example, continues to distribute food to schools, but it now also sends cash. Similarly, because an influx of free food in a developing country can hurt local farmers, the 2014 Farm Bill recognized this by authorizing \$80 million for the U.S. Agency for International Development (USAID) for international food aid and allowing it to be purchased closer to the areas where it would be distributed.

3. How do Farm Bills help stabilize the commodity market and support farmers?

The original Farm Bill, known as the Agriculture Adjustment Act of 1933, created the Commodity Credit Corporation (CCC), which helped stabilize crop prices during a surplus. That same year, however, a severe drought spread across the Midwest, and the same advancements in technology that increased production over the prior thirty years, such as motorized tractors and combine harvesters, were also responsible for the loose, tilled topsoil drying up and blowing away. Farmers who could previously at least feed themselves, even though the sale of that food was not sufficient to repay bank loans, were soon starving AND losing their farms.

Five years later, Congress passed the 1938 Agriculture Act, which created the Federal Crop Insurance Corporation, now managed by USDA's Risk Management Agency. This version included price support provisions for dealing with the underproduction of commodities. The provisions gave farmers an income even when production was low, and because farmers were less worried about losing everything if a crop failed, it created an incentive for farmers to produce more of the staple crops needed in urban areas. More crops in the field led to lower prices for the consumer but not necessarily lower income for the farmers, especially in years when farmers would ordinarily have under-planted or under-produced. The price stabilization activities of the CCC are today managed by USDA's Farm Service Agency.

The Agriculture and Consumer Protection Act of 1973 created additional economic stabilizers that helped farmers and reduced the need to forfeit surpluses to the CCC. These economic tools included marketing orders (binding prices on commodities, such as milk, in a geographic region,

which ensure producers get a fair price regardless of swings in supply or demand) and deficiency payments (payments to farmers that reflect the difference between a Congressionally set “target price” and the real market price).

The 1990 Farm Bill created the Rural Development Administration, now the USDA Office of Rural Development after a 1994 reorganization, which administers non-farm rural programming, such as financing for rural housing and businesses, community resources and facilities, and rural electrification.

4. What does the Government do with the surpluses it buys from farmers?

The Commodity Credit Corporation (CCC) was authorized in 1935 to donate surplus food to domestic charities. This was the forerunner to the National School Lunch Act of 1946, which provides both food and cash support to schools participating in the program. The National School Lunch Act was passed not only to deal with surpluses the USDA purchased from farmers through commodity price stabilization programs but also in response to concerns that many potential World War II recruits had been rejected for service due to diet-related health problems.

Later, the 1949 Agriculture Act gave the CCC the authority to donate purchased food to both domestic and international relief agencies. The international efforts are administered by the U.S. Agency for International Development and USDA’s Foreign Agriculture Service, whose mission includes global food security and enhancing international markets for U.S. producers.

5. Have nutrition programs always been associated with the Farm Bill?

No. The very first Farm Bill had a very popular nutrition program that helped the urban poor buy surplus foods at a reduced cost, but this provision did not remain once the surplus was gone. In the early 1960s, a pilot food assistance program was offered, but it wasn’t until 1964 that President Lyndon Johnson promoted a permanent Food Stamp Act as part of his “War on Poverty.” But while House Democrats supported the measure, House Republicans did not. The solution was to link this Act to a larger appropriation that included price supports for cotton and wheat, winning over rural Republicans wary of urban members’ efforts to dismantle these subsidies. The rural Republicans convinced their suburban and urban counterparts to support the bill. This was the forerunner of the urban-rural compromise we see in modern Farm Bills.

It wasn’t until 1973, however, that nutrition programs that used USDA-acquired surpluses were consistently linked in the Farm Bill to commodity stabilization efforts. These nutrition programs included Food Stamps and the Commodity Supplemental Food Program, which serves low-income elderly and, formerly, low-income pregnant and breastfeeding women and infants, before that program was spun out in 2014 as WIC.

6. How is the Farm Bill connected to conservation?

The original, 1933 Farm Bill authorized cash payments to farmers to remove fields from production, but this was largely to prevent surpluses, not to help the environment. It wasn't until 1956 when that year's Agriculture Act created the Soil Bank Program, an environmentally-motivated program that gave farmers cash incentives to remove or retire land from production in order to conserve the land. The Program was repealed in 1965, but it became the basis of the Conservation Reserve Program (CRP), enacted in 1985. The 1985 version of the CRP, like the 1956 version, mainly targeted erosion, and it limited eligible land to that deemed "highly erodible." It also made compliance with certain conservation efforts mandatory if landowners were to take part in programs like subsidized crop insurance through USDA's Risk Management Agency (RMA) and in Farm Service Agency (FSA) programs like disaster assistance and farm storage loans.

The 1990 Farm Bill greatly expanded the land eligible for environmental protection, and the focus of the conservation efforts changed from soil only to environmental conservation more generally. In 1996, however, some of the requirements for conservation were repealed – farmers participating in FSA's programs still needed to comply, but those participating only in RMA's crop insurance program did not.

In the most recent, 2014 Farm Bill, conservation groups lobbied to make compliance with certain conservation measures once again mandatory for all producers who get subsidized crop insurance. Even though it would only apply to wetlands and highly erodible lands, and even though this provision was, in fact, in effect from 1985 to 1996, it was not seen as politically feasible on its own when the 2014 Bill was being debated. Meanwhile, commodity groups wanted to increase crop insurance programs to raise farmer income, another politically risky move. These groups supported an amendment brought by Senator Saxby Chambliss (R-GA) that brought both items to the table and were eventually incorporated into the 2014 Bill.

7. How is the Farm Bill connected to science?

Agricultural science has always been a part of USDA's mission, but it wasn't a part of the Farm Bill until 1977, when that year's bill included "The United States National Agricultural Research, Extension, and Teaching Policy Act of 1977," which consolidated funding authorizations and policy guidance for USDA's agriculture research, extension, and teaching programs.

Since 1977, USDA funding for science authorized in the Farm Bill has included competitive and non-competitive grants as well as funds allocated to land-grant institutions based, in part, on its state's rural and farmer populations. The "formulas" used to calculate these amounts were originally outlined in the Hatch Act of 1887 (for agriculture research), the Smith-Lever Act of 1914 (for extension programs), the McIntire-Stennis Act of 1962 (for forestry research), and the

Evans-Allen funds (for research programs at the 1890 – historically black – land grant institutions), and the funds are, therefore, called “formula” or “capacity” funds.

To be eligible to receive “formula” funds, states are required to match Federal funding dollar for dollar in research (since 1928), cooperative extension (since 1935), and extension (since 2002) or risk losing federal contributions. While states historically meet or exceed federal investments in their 1862 land grant colleges, they have historically under-met investments in their 1890s (historically black) land grant colleges. Some of these 1890s have received waivers in order to receive the full level of federal funding entitled to them under the formulas, but some argue that this makes it even easier for states to prioritize the (historically white) 1862 schools instead.

The 2008 Farm Bill reorganized USDA’s research and extension programs into the newly created National Institute of Food and Agriculture (NIFA). USDA’s research and extension activities had already been merged in 1994 into the Cooperative State Research, Education, and Extension Service (CSREES). NIFA would take on CSREES’s duties of allocating competitive, non-competitive, and formula funds, but, additionally, it would expand its competitive grant program through the Agriculture and Food Research Initiative (AFRI), which replaced CSREES’s National Research Initiative. The 2008 Farm Bill authorized \$700 million for AFRI, but only \$200 million was appropriated (incidentally, it also authorized \$200 million for IFAFS, an older, competitive program integrating research, education, and extension that basically died when no funds were appropriated). The President’s budget for 2016 included a request for the full \$700 million authorized for competitive grants through AFRI, and \$350 million was appropriated that year.

8. What is “mandatory” spending, and what parts of the Farm Bill are mandatory?

Most Congressional acts that involve a spending money are considered “authorizations.” The act specifies how much money Congress is authorized to spend on the program, but there is a separate act, an “appropriation,” that actually directs the Treasury to give out the funds. This two-step process requires two separate Congressional committees to complete, and so it is not uncommon that funds are never actually disbursed even though an authorization is made. The amount of money authorized is also not binding, and in addition to the appropriating committee not appropriating any funds for a given authorization, it also may write an appropriation for more or less than the authorized amount. The 2016 Farm Bill, for example, *authorized* \$700 million for AFRI’s budget, but only \$350 million was *appropriated*. This two-step process is also known as “discretionary” spending.

Occasionally, however, an authorization and appropriation are packaged together into one act, and no additional appropriation step is necessary. This is known as “mandatory” spending. Oftentimes Congress will create a mandatory spending bill because the actual amount of spending is estimated. For example, the Supplemental Nutrition Assistance Program (SNAP) is part of the Farm Bill that guarantees certain levels of financial assistance to the poor no matter what, and not just “until the money runs out.” For example, if there’s a recession one year and more people fall below the threshold for SNAP funding (130% of the poverty line), then more money can be disbursed without an additional appropriation.

The Farm Bill includes a few research and extension programs that also have mandatory funding, such as the Specialty Crops Research Initiative (SCRI), the Organic Agriculture Research and Extension Initiative (OREI), the Beginning Farmers and Ranchers Development Initiative (BFRDP), the Biomass Research and Development Initiative (BRDI), and the Biodiesel Fuel Education Program. Unlike SNAP, the total amount of money appropriated is set at \$120 million for these programs, but they were likely granted immediate appropriations due to their critical or politically sensitive nature – the OREI, for example, provided \$25 million to a Citrus Disease Research and Extension program to help fight the devastating Citrus Greening disease, or Huanglongbing (HLB), a very important issue for Florida, Texas, and California districts.

9. Aside from nutrition programs and, indirectly, conservation and science programs, are there other ways the Farm Bill helps urban communities?

The 1990 Farm Bill established the Urban and Community Forest Program, which is run by the U.S. Forest Service and stewards urban natural resources. Senator Debbie Stabenow, the Ranking Member of the Senate Agriculture Committee, introduced an Urban Agriculture Act in 2016, and though it did not pass, many have speculated that parts may find their way into the 2018 Farm Bill.

10. How have recent Farm Bills been received?

2002

The 2002 Farm Bill was debated from the fall of September 2001 to May 2002, when it passed a few weeks AFTER the 1996 bill expired. Because debate of the bill happened in the aftermath of the September 11th attack, when budget surpluses were needed to pay for the impending invasion of Afghanistan, many looked more critically at the expansive and expensive bill. Many congresspeople on both sides of the aisle wanted to shift the bill further from crop subsidies towards conservation, since farmers were producing subsidized surpluses, and many senators were concerned about “millionaire farmers” taking advantage of a system designed to help struggling farmers. Meanwhile, the Secretary of Agriculture, Ann Veneman, also opposed the bill, citing the need for more conservation and fewer subsidies, which were leading to overproduction and more expensive land. The White House Office of Management and Budget agreed, saying that the bill was unresponsive to changes in agriculture. By May 2002, Congress agreed on a five-year bill that capped subsidies at \$360,000 (higher than the Senate originally proposed), with extra funds going to beginning farmer programs. The final version also authorized \$17 billion towards conservation efforts (lower than the \$19 billion of a failed House amendment).

The focus on overproduction of commodities like corn through government subsidies brought to light how the system had unintentionally made livestock production dependent on cheap grain. Feeding corn to cattle, hogs, and chickens had become the only way for producers to stay

competitive, but this also led to the emergence of more dangerous strains of *E. coli* in beef (such as Shiga toxin producing *E. coli*, or “STECs”), a growth in the size of feedlots, and the necessity for increased antibiotic use, which leads to resistance.

Another controversial part of the 2002 bill was Country of Origin labeling for fresh beef, pork and lamb, a provision that was expanded in 2008 but repealed in 2015 after the World Trade Organization ruled that the law discriminated against Canadian and Mexican livestock.

2008

The 2008 Farm Bill increased spending on nutrition programs while keeping the controversial agricultural subsidies in place. President Bush vetoed the bill, saying that it “continues subsidies for the wealthy,” but Congress overrode his veto.¹ This bill also addressed horticultural crops and Organic agriculture and added provisions for biofuels.

2014

The 2008 Farm Bill technically expired in 2012 (they typically last about 5 years), but the next Farm Bill did not pass till 2014. The near \$1 trillion of spending (\$956 B) over ten years (FY2014-2023) authorized in the 2014 bill also included \$8 billion in cuts to the Supplemental Nutrition Assistance Program (SNAP, formerly Food Stamps).² The bill also eliminated a direct payment program to farmers whether or not they grow crops, worth \$5 billion, due to the controversies (still smoldering since 2001) regarding “millionaire farmers” and the fact that farm incomes had continued to rise.

The spending breaks down into four main categories:

Commodity Programs (Title I) at \$44.4 B,
Conservation Programs (Title II) at \$56 B,
Nutrition (Title IV) at \$756 B, and
Crop Insurance (Title XI) at \$89.8 B.

Everything else comes to only \$8.2 B, which includes:

Research and Extension (Title VII) at \$1.3 B,
Energy (Title IX) at \$1.1 B, and
Horticulture (Title X) at \$1.8 B.

Importantly for USDA’s competitive research grants, AFRI was directed to require matching funds from non-federal sources for all non-land grant institutions. This puts all land-grant institutions at a significant advantage, but it harms the advancement of agriculture science overall since superior ideas from non-land grant institutions may not be funded. It will also serve to narrow the number of institutions with agriculture research programs as non-land

¹ http://www.cnn.com/2008/POLITICS/06/18/farm.bill/index.html?eref=ib_topstories

² https://www.washingtonpost.com/news/wonk/wp/2014/01/28/the-950-billion-farm-bill-in-one-chart/?utm_term=.c09f9bc0af43

grants shift their focus to other areas, limiting total student exposure. USDA NIFA, which administers the grants, opposed this provision, but it was able to somewhat mitigate the effects by streamlining the process of registering institutions as “Non-Land Grant Colleges of Agriculture,” which would enable them to receive funding without the match requirement.

11. What about the Foundation for Food and Agriculture Research?

The Foundation for Food and Agriculture Research (FFAR) was established in the 2014 Farm Bill as an independent (non-government) foundation. With its \$200 million budget only to be awarded to grantees that have matching funds, FFAR was designed to foster collaboration with Federal and State governments, higher education institutions, industry, and other non-profits. Three years later, FFAR has disbursed about \$5 million in grants. A Chief Operating Officer was brought on board in early Feb 2017, perhaps helping to mitigate administrative challenges inherent to the Foundation’s mission.

The Farm Bill language encouraged FFAR to consult with USDA so as to avoid duplicative research, but it also suggested six key focus areas that are strikingly similar to AFRI’s priorities. The language was flexible, however, and so FFAR has opted to support agricultural research in other “challenge areas,” including food waste; protein production; water scarcity; innovation and sustainability; soil health; urban food systems; pollinator health; and challenges relating to the production and accessibility of fruits and vegetables.

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