

2008 U.S. Farm Bill: Where do we stand?

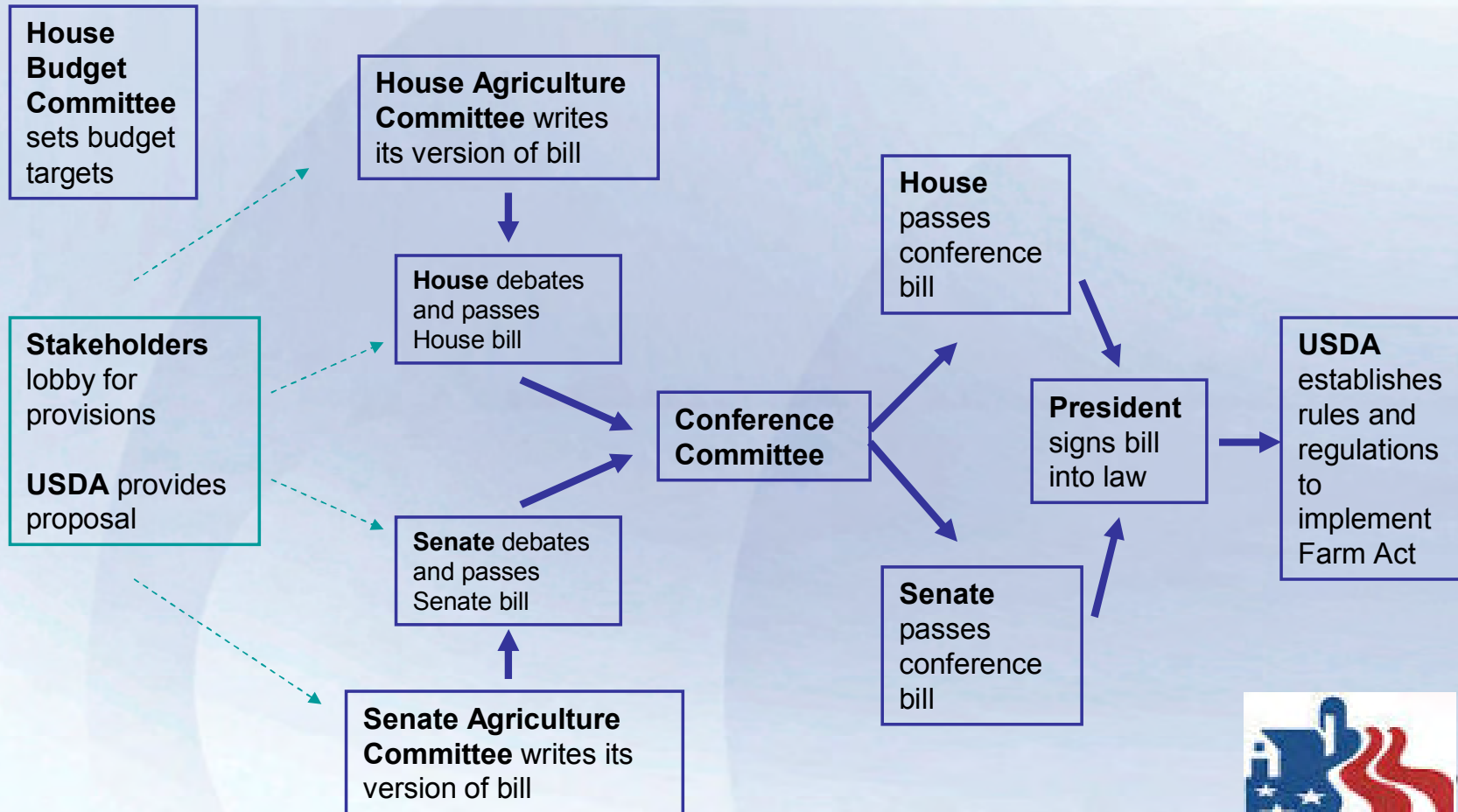
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**Nuffield International Contemporary Scholars' Conference
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Farm Act Legislative Process

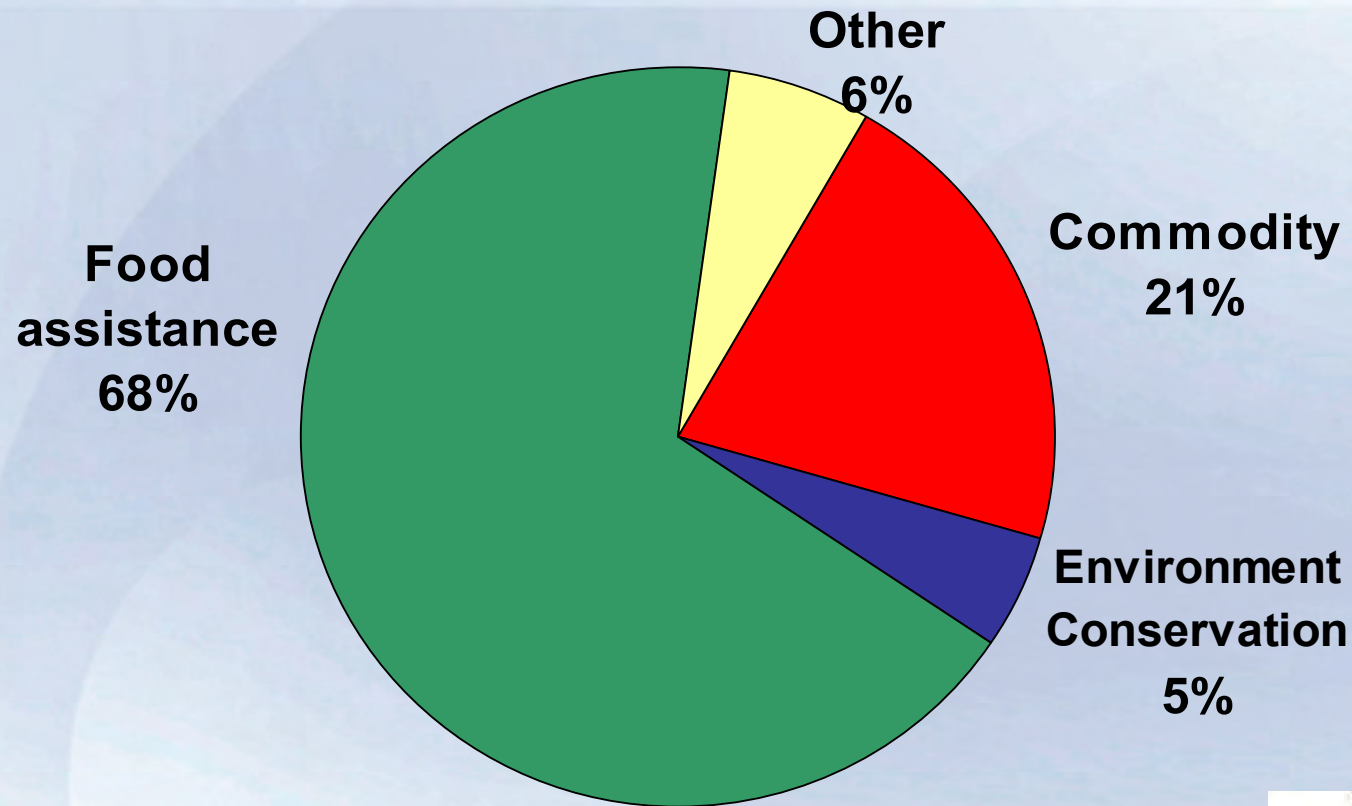


Broad and Complex Legislation

- **TITLE I: Commodity Programs**
- **TITLE II: Conservation**
- **TITLE III: Trade**
- **TITLE IV: Nutrition Programs**
- **TITLE V: Credit**
- **TITLE VI: Rural Development**
- **TITLE VII: Agricultural Research, Education, Extension and Related Matters**
- **TITLE VIII: Forestry**
- **TITLE IX: Energy**
- **TITLE X: Miscellaneous**



Over two-thirds of expenditures are for food assistance/nutrition programs



Source: Congressional Budget Office March 2002 Baseline and May 2002 Farm Act Score

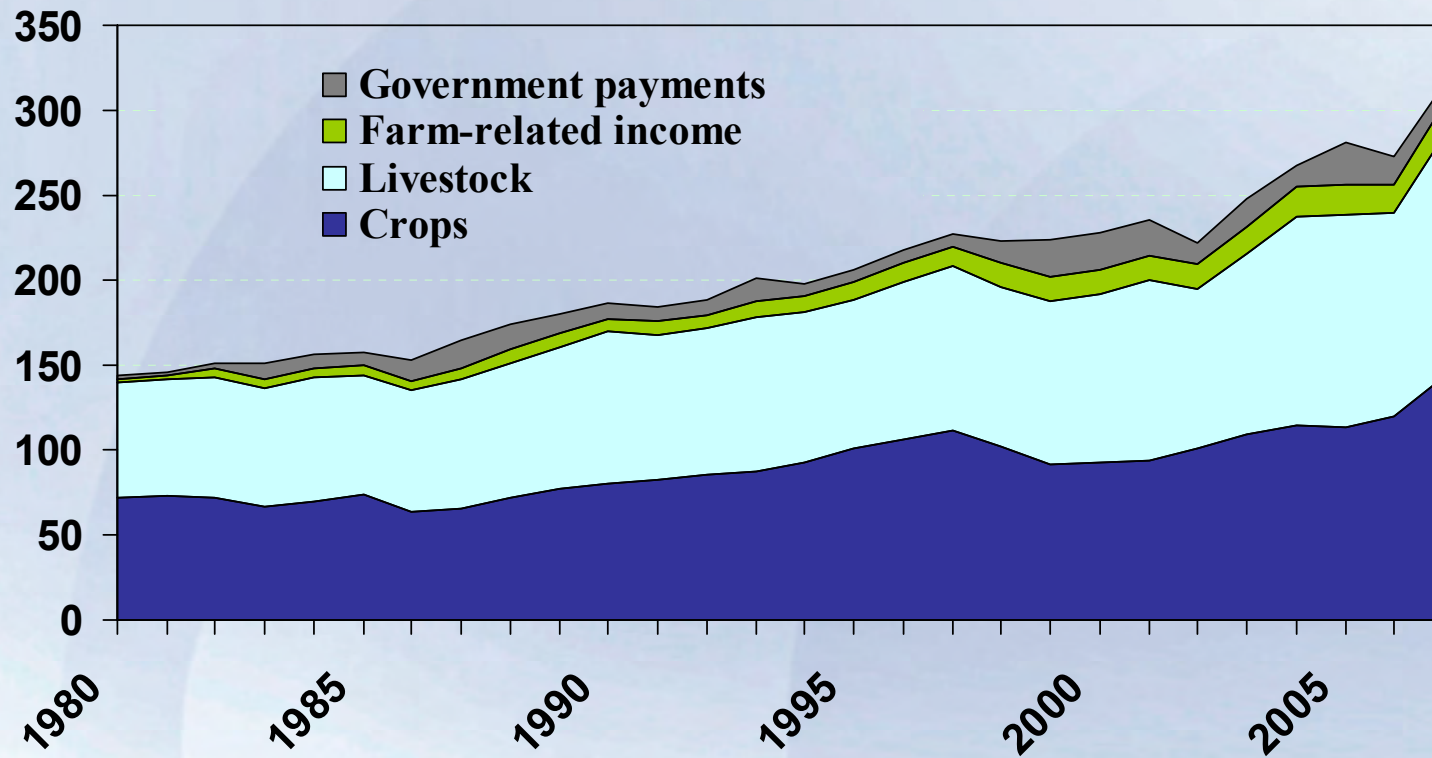


Selected Farm Policy Goals

- **Produce abundant supplies at competitive prices**
- **Support farm incomes**
- **Expand trade opportunities**
- **Sustain and enhance food quality**
- **Preserve the environment**
- **Maintain remaining family farms**
- **Promote a high-quality rural lifestyle**



Direct government payments are small share of farm cash receipts



Source: *Farm Income Data*, February 2007. Economic Research Service, USDA



Times Have Changed

- **Commodity prices are strong for most program crops**
- **Exports have increased every year to a record \$81.9 billion in 2007; expectations are \$101 billion for 2008**
- **Lowest debt-to-asset ratio in recorded history; record farm income**
- **Bleak federal budget outlook**
- **WTO commitments and trade disputes**
- **Renewable energy is now a significant contributor to rural and agricultural economies**

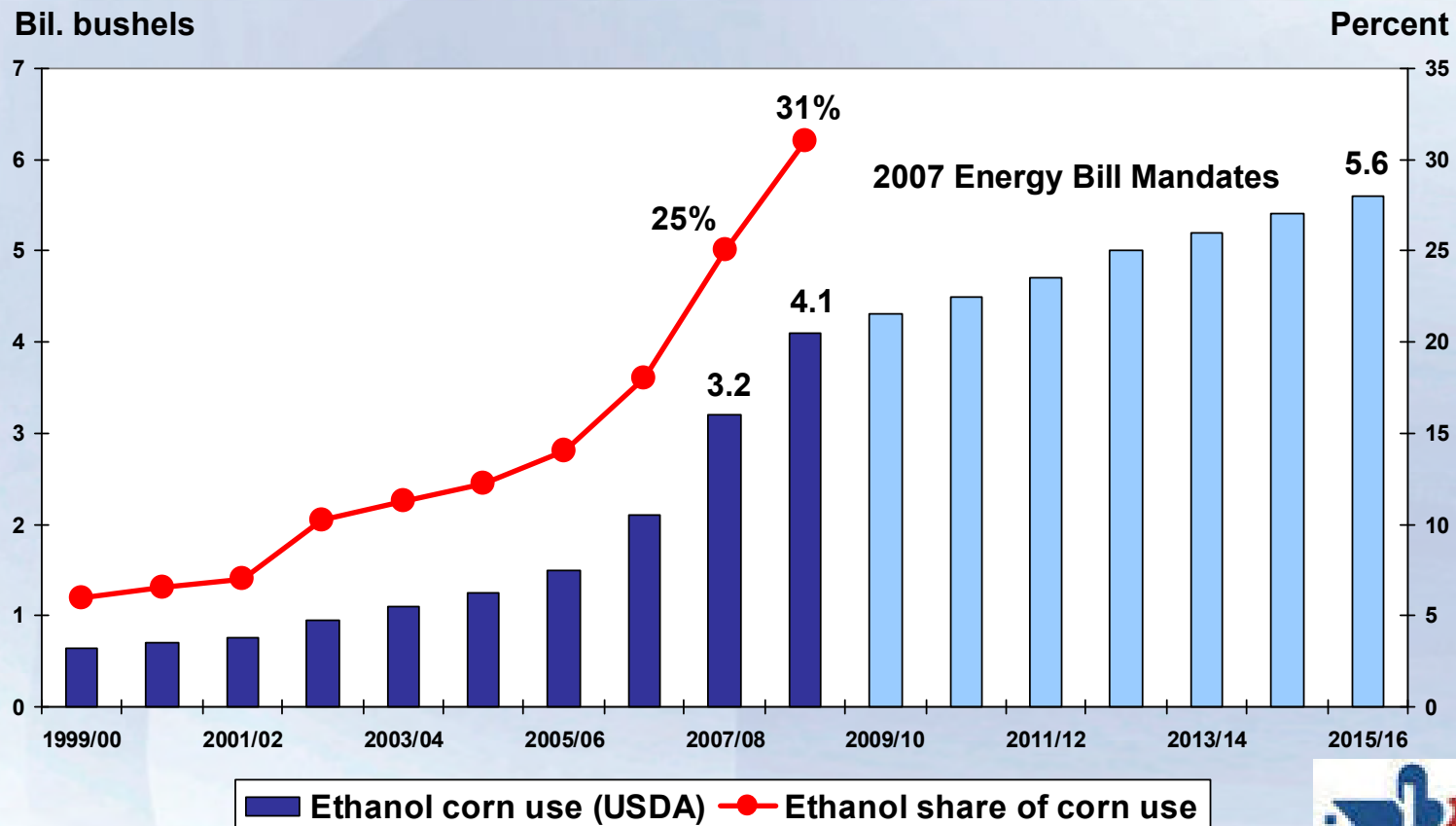


Demand for ethanol a product of federal legislation

- Air quality standards require refiners to include oxygenates in fuel blends
- Refining tax credits of \$0.51 per gallon
- Tariff of \$0.54 per gallon + 2.5%
- Mandated renewable fuel standards (RFS) to reach 7.5 billion gallons by 2012
- New energy bill increases RFS to 36 billion by 2022, 15 billion of which to come from corn
- Farm bill provisions



Energy Demand Driving Corn Use



Note: 2007/08 and 2008/09 are USDA projections, beyond that they are based on RFS mandates.



House of Representatives Bill

- **Offers limited reform to current legislation**
- Optional revenue-based CCP program
- Increases spending by \$4.2 billion for nutrition programs, \$2.8 billion for farm conservation programs, and \$2.4 billion for renewable energy programs.
- Adds Horticulture and Organic Ag Title
- Modest tightening of payment limits

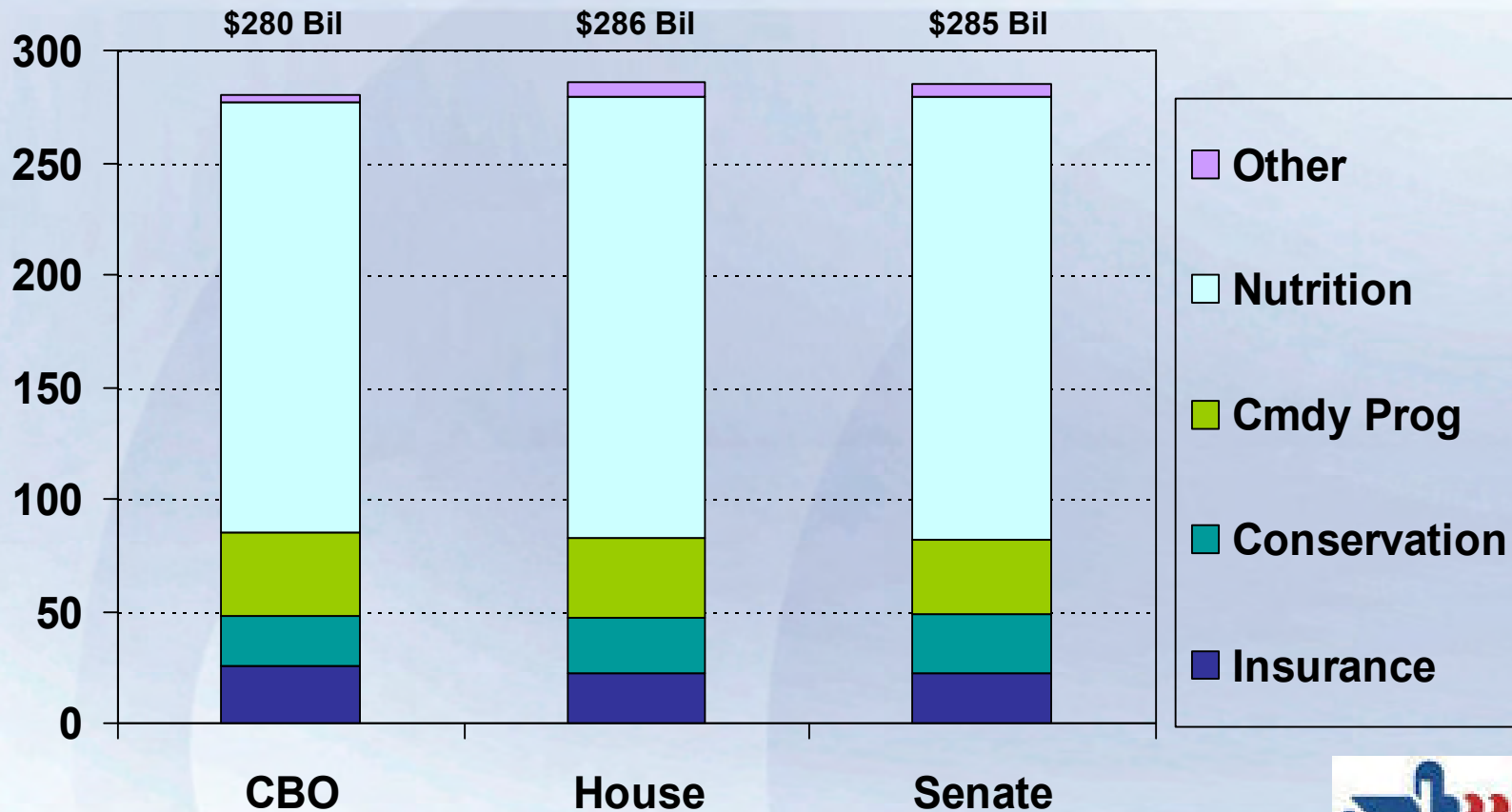


Senate Bill

- **Offers more reform to current legislation than House Bill**
- Includes \$5 billion permanent disaster aid package
- Includes large scale average crop revenue payment program
- Increases spending by \$5.3 billion for nutrition programs, \$4.4 billion for conservation programs, \$1 billion for renewable energy programs
- Slightly tighter payment limits than House



5 year budget comparisons

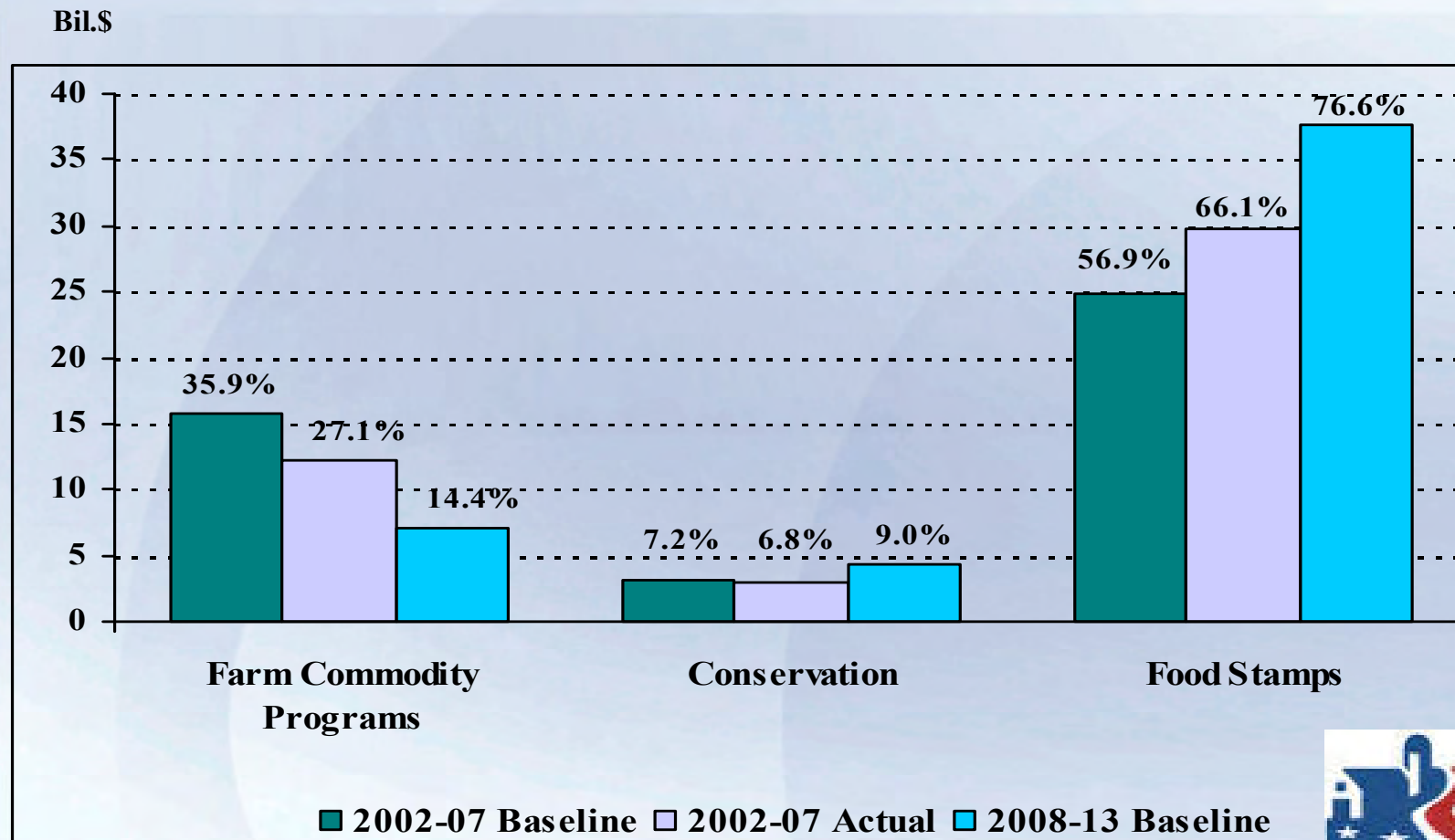


Administration Objections

- Costs are over budget and paid for with tax increases and budget gimmicks
- Continues to award the wealthiest two percent of Americans with support payments
- Fails to strengthen the safety net
- Does not comply with WTO on planting flexibility
- Does not eliminate “windfall gains” of Mkt Loan Prog
- Increases price supports



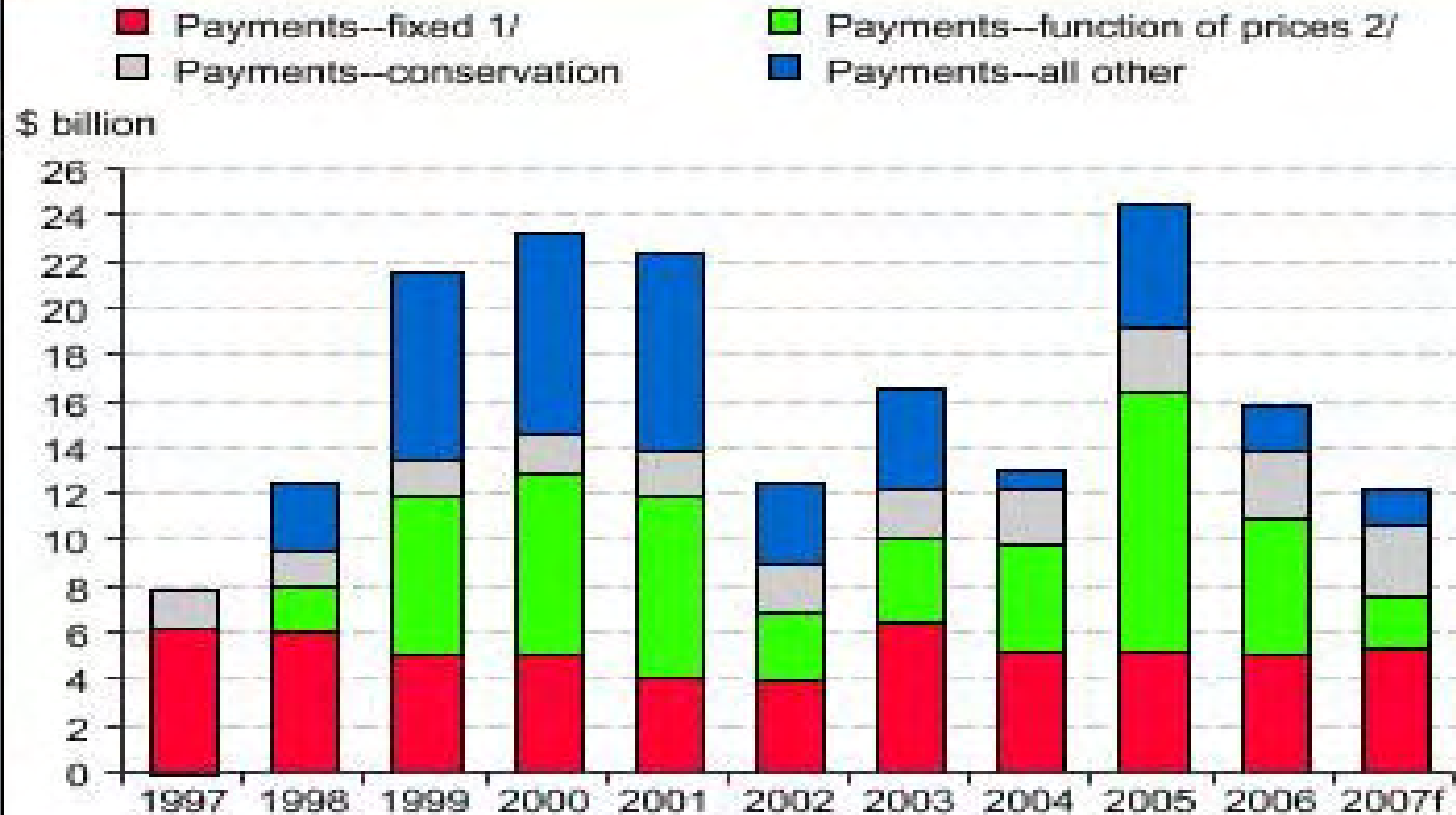
Estimated vs. Actual Cost of 2002 Farm Bill and 2007 Baseline Estimates



Source: Congressional Research Service, July 17, 2007



Government payments, 1997-2007f



1/ Production flexibility contract payments and direct payments, where payment rates are fixed by legislation.

2/ Counter-cyclical payments, loan deficiency payments, marketing loan gains, and certificate exchange gains; where payment rates vary with market prices.

Source: FSA, NRCS, and CCC.



2007 Farm Bill

What about the WTO?

- **Congress and the Administration differ on whether this legislation should be “WTO challenge proof”**
- **What role might litigation against US programs play?**
- **How would new WTO domestic support spending limits impact US policy?**



Where do we stand today?

- Current legislation began to expire on Sep 30, extended to March 15
- House and Senate are trying to reconcile the differences in their bills
- Both chambers would need a two-thirds vote to override a Presidential veto
- April 2008 is the effective deadline to have new legislation in place



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