5-2020

Examining Farm Bill Expenditures Over the Last Decade

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Abstract

The American Farm Bill is a bill that is passed by Congress every five to six years. This legislation is omnibus, meaning it covers a wide variety of topics such as nutrition, conservation, rural development, crop insurance, and much more. This thesis will study the effectiveness of the allocation of funding covered in the Farm Bill, specifically Farm Bills from the last 12 years. This bill has a significant impact on farmers who need support from the government to remain profitable and continue their operation. This thesis will examine how shifts in funding can affect farmers growing crops, raising beef cattle, or producing dairy using Congressional Research Reports and existing studies. The research in this thesis is important because another farm bill will be coming up in the next few years and the findings in this thesis can help to project future spending on titles. The analysis of the data presented found that while nutrition spending is higher than the other titles examined, this does not necessarily mean that the crop insurance and commodity program funding has decreased.

Introduction

The Farm Bill is an omnibus legislation passed usually every five or six years. To understand how this bill may impact future spending, it could be useful to understand the history of the Farm Bill, focusing mostly on how it was originally separated and funded.

The Agriculture Adjustment Act of 1933 originated from the Great Depression, when farmers were affected by extreme economic hardship. The goal of this legislation was to help restore the purchasing power of agricultural commodities to the strength of previous years (USDA 1984). After this bill was signed into law, the farm bill started to be passed every five to six years and at first, the bills focused on specific commodity support programs such as parity pricing for dairy products. (Monke & Johnson 2019). As the years went on, the farm bill became more and more complicated and new programs continued to be added with each new bill. As of the 2018 farm bill, 12 major titles make up this legislation including nutrition, commodities, and crop insurance. For this thesis, these three titles will be heavily examined to determine both the political and economic effects on the agriculture industry and those farmers who rely on said bills.

This research is important because by looking at trends in current and past farm bills, we may be able to better predict where money will be spent and how it could impact the agricultural community. As mentioned earlier, the three main title areas this thesis will examine are commodities, nutrition, and crop insurance because these areas have a significant impact on the farm bill budget.

Crop insurance has been around since the 1930s and it offers subsidies to farmers to prevent loss in “yield, crop revenue, or whole farm revenue” (Monke & Johnson 2019). In the most recent farm bill, crop insurance coverage has been expanded to cover new situations and includes hemp as an eligible crop to be covered.

Commodities refer to support payments and programs that aid farmers when prices and revenue drops for major crops, such as corn, sugar, and wheat. These payments are issued to farmers that grow crops covered under the title.

Finally, nutrition consists of the Supplemental Nutrition Assistance Program (SNAP), The Emergency Food Assistance Program, and other programs that will be discussed more in-depth later. The 2018 farm bill reauthorizes these programs and extends them through 2023. The new farm bill also modifies rules for eligibility for nutrition programs, including work requirements for SNAP and calculation of benefits for some lower-income households.

These three titles will be examined to determine if there is a correlation between economic and political factors and how much funding is received in each title. The projected ten-year outlays will be examined, along with what programs are being funding under the titles, how they work, and the potential implications of funding disparities. This is important research because farm bills are passed every 5-6 years, meaning there will be multiple farm bills passed in most people's lifetimes. These provisions can affect how food is grown and can directly impact the food market for the next few years after they are passed. This thesis seeks to bring awareness to a topic that could easily be overlooked by most of the American public.

Literature Review

Farm bills and their underlying components have been studied in numerous ways over the years, and one of the most accurate and reliable sources of information when it comes to the farm bill is the Congressional Research Service, or CRS. This research will examine these reports and other studies/journal articles to determine why funding for SNAP is included in an agricultural focused bill and will also further examine each title selected for this paper.

Since the 1970s, nutrition has been included in the farm bill as an attempt to garner bipartisan support for a bill that could be viewed as only beneficial to rural constituents. By adding the nutrition title, and in recent years, SNAP funding to the farm bill, representatives that represent urban areas have a reason to care about the passage of a bill that otherwise might not affect them. While this is good for getting bipartisan support, other analysts have called this practice out as logrolling (Bakst, 2015). This phrase means legislators secure support for things they care about by exchanging favors. Congress attempted to split the SNAP program and the farm bill into separate acts, but this did not pass in either house of Congress in 2013 (Wilde, 2016). On one hand, it would seem beneficial to separate these two titles so that more funding could be directed to both programs if separated. However, separating these two could lead to reduced bipartisan support, leading to congressional deadlock like when the 2018 farm bill was delayed. The two were not separated for the 2018 farm bill and they likely will not be separated for the next.

Per the Congressional Research Service, the most recent farm bill reauthorized and adjusted spending for programs in previous farm bills. These programs include SNAP, Food Insecurity Nutrition Incentive, Community Food Projects, and the Emergency Food Assistance Program. Of these programs, SNAP received most of the federal funding due to the sheer size of the program (Aussenberg & Billings, 2019). Under SNAP, there is another program that received increased funding in the 2018 farm bill which is the SNAP Employment and Training Program. This program received 124 million dollars to help citizens partaking in SNAP benefits gain work experience and skills to improve their job eligibility (United States Department of Agriculture, 2019). Overall, the 2018 nutrition title accounted for 76% of the total budget of the farm bill (Aussenberg & Billings, 2019).

Crop insurance includes several provisions to prevent crop loss or loss of yield. First, the main program under this title is actual crop insurance, which covers over 100 crops and takes effect when yields drop below a set guarantee that is established prior to planting (Johnson, 2017). This title also includes the Supplemental Coverage Option which is a standalone plan that can be purchased for cotton and a new provision from the 2018 farm bill allows for hemp to be covered under crop insurance.

The commodity title includes support programs such as the Price Loss Coverage and the Agriculture Risk Coverage programs. The Price Loss Coverage program assists farmers if the market price for commodities falls below a significantly low level while ARC provides help to producers when crop revenue falls below a set benchmark (Johnson, 2017). These programs can be vital to farmers in times of need, hence the need for funding. This title also includes disaster programs such as the Livestock Indemnity Program, which covers the loss of cattle due to an eligible cause. This area also includes the Tree Assistance Program which covers orchard owners in the event of significant tree loss. These programs can have significant effects if not funded enough before an unpredictable disaster occurs (Conway, 2020).

Methods and Materials

For the purposes of this thesis, data was collected over a period of time through the Congressional Research Service. The information from this research service is accurate and unbiased, which is why I chose to use it for this thesis. I also gathered reliable data from the USDA to use in this report. In order to set up this thesis, I created graphs using the data from the

CRS and USDA. I decided to use projected outlays in the end rather than the overall percentage of the budget because these outlays give a good sense of what Congress wanted to focus their spending on over the period of time the farm bill is in effect. Once I created the graphs, the numbers were adjusted from the year they were reported to today's dollars to reflect inflation. These graphs were then used to compare and contrast spending trends in farm bills that were passed over the last ten years. After the trends were analyzed, I examined possible explanations on why these changes could have occurred. This thesis did not require any materials other than a device to perform research on. This topic fit better within the scope of my career path and as a result, turned out less hands on than some thesis projects. However, research on public policy and the spending habits of Congress are both necessary to contribute to the field of political science.

Data and Analysis

To understand if there was a correlation between farmers receiving less subsidies due to increased spending on the nutrition title, I examined the three farm bills that have been passed in the last ten years. More specifically, I looked at how crop insurance and commodity funding had shifted in each of these bills. It stands to reason that if the budget is reduced for these two programs, there could be less aid offered to farms and more of that money allocated to pay for SNAP and other nutrition programs. I hypothesize that funding for the nutrition title has increased since 2008. I also hypothesize that funding for the commodity and crop insurance titles has decreased since 2008. To test this hypothesis, I will be utilizing data from the Congressional Budget Office and the Congressional Research Service to create my data. The most readily available information on farm bill spending involves projected outlays for ten-year periods, so I used these total outlays over time to assess how much was being spent on each category.

Figure 1 illustrates how much total funding was dedicated to the Commodity title over the last three years. This includes disaster funding and other programs included in the commodity title. As the data shows, spending was high for this at almost 100 billion dollars in 2008, but then was cut nearly in half for the 2014 farm bill. The reason for this could be that two new programs were added to the 2008 farm bill, Supplemental Revenue Assistance (SURE) and Average Crop Revenue Election (ACRE) (Edwards, 2008) When SURE was introduced in 2008 it was designed to enhance the protection that producers purchased from private crop insurance companies by 15 percent. For example, if a producer purchased a 55 percent guarantee from an insurer, SURE would raise that to 63.25 percent. Similarly, ACRE was introduced as an alternative to counter-cyclical payments that covered revenue loss when state-level crop revenue fell below a certain threshold, rather than the price of a crop falling below a set standard. While there is no available data on what percentage of the commodity budget these two programs took up, it is safe to say that the inclusion of these could have been a factor for how much was spent on commodities in the 2008 farm bill. From 2008 to 2014, the outlays for commodity spending dropped almost in half. The reason for this drop is because direct payments were ended, saving more money overall in projected outlays from 2008 to 2014. Also, certain prices for commodities had been on the rise internationally since 2003, creating a surge in food prices and leading to a food crisis (Headey & Fan, 2008). Because the price of these commodities continued to rise, it is possible that this could have contributed to spending for commodity support to be cut in half. Finally, as mentioned later, repealing ACRE and counter-cyclical payments also cut the budget for projected outlays for commodity spending. In 2018, commodity spending increased slightly, which could have something to do with the USDA supporting soybeans and other commodities because of the trade war with China. In fact, the USDA spent almost 12 billion dollars to aid farmers affected by declining exports, which could have influenced the projected outlays for the 2018 farm bill (Wyant & Tomson, 2018).

Figure 1

Projected Outlays for Commodity Spending Over the Past Decade

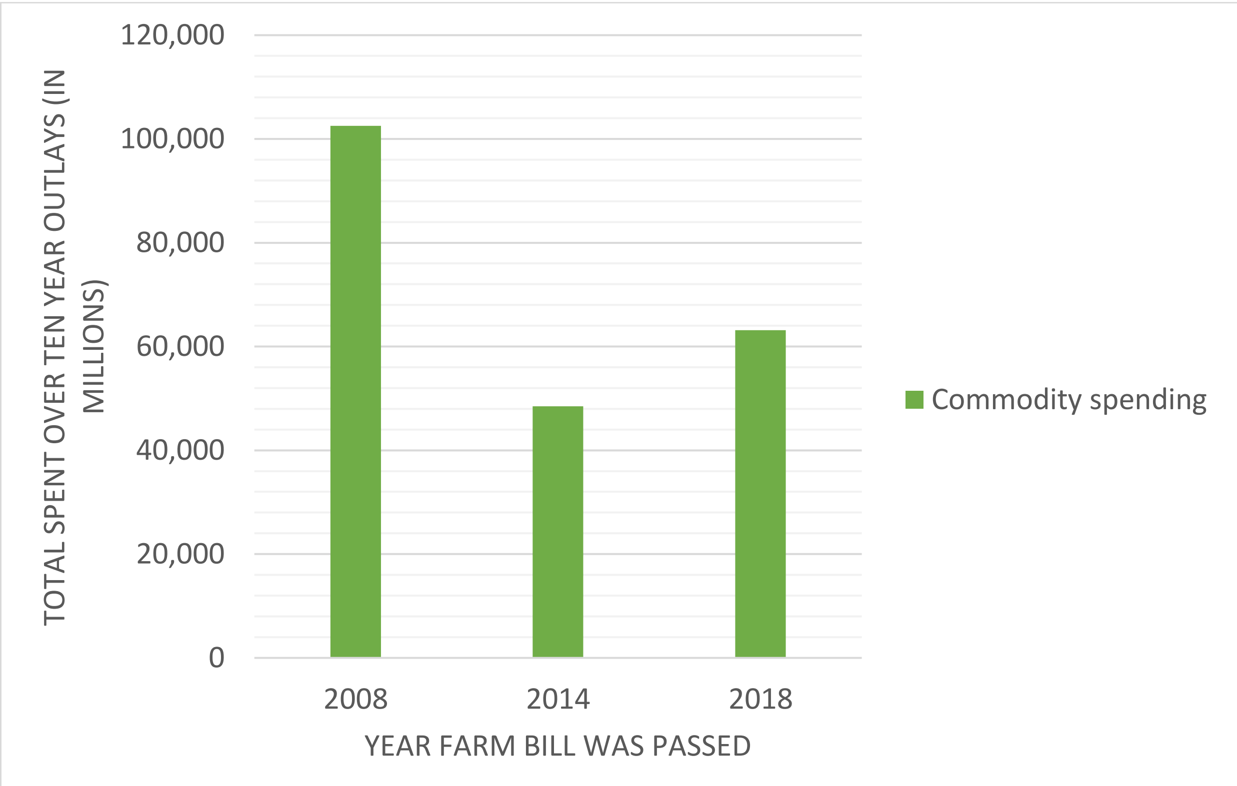


Figure 2 shows the amount of federal funding the crop insurance title received over the last ten years. In 2008 the crop insurance title was projected to receive nearly 56 billion dollars to cover loss of yield and other disaster scenarios for farmers. Then, in 2014, the funding for this title went to almost 97 billion dollars and was later reduced slightly in the 2018 farm bill. The jump in projected funding in 2014 most likely occurred due to a large change in the crop insurance title. Counter-cyclical payments were replaced by counter-cyclical price programs and ACRE was replaced by shallow loss coverage (Hamilton, 2014). These programs were reached through compromise in both houses of Congress to give farmers more options and to do that, crop insurance required more funding in outlays for the 2014 farm bill. The reason for the deduction in 2018 is hard to pinpoint, but prior to drafting the 2018 farm bill, the current administration talked about wanting to make cuts to crop insurance funding on two different occasions (Marzen, 2019). While it did face talks of cuts and restructure, there was a bipartisan effort to preserve federal crop insurance without significant reform in 2018, which is most likely why the projected funding for this title did not change too much between 2014 and 2018.

Figure 2

Projected Spending on Crop Insurance Over the Last Decade

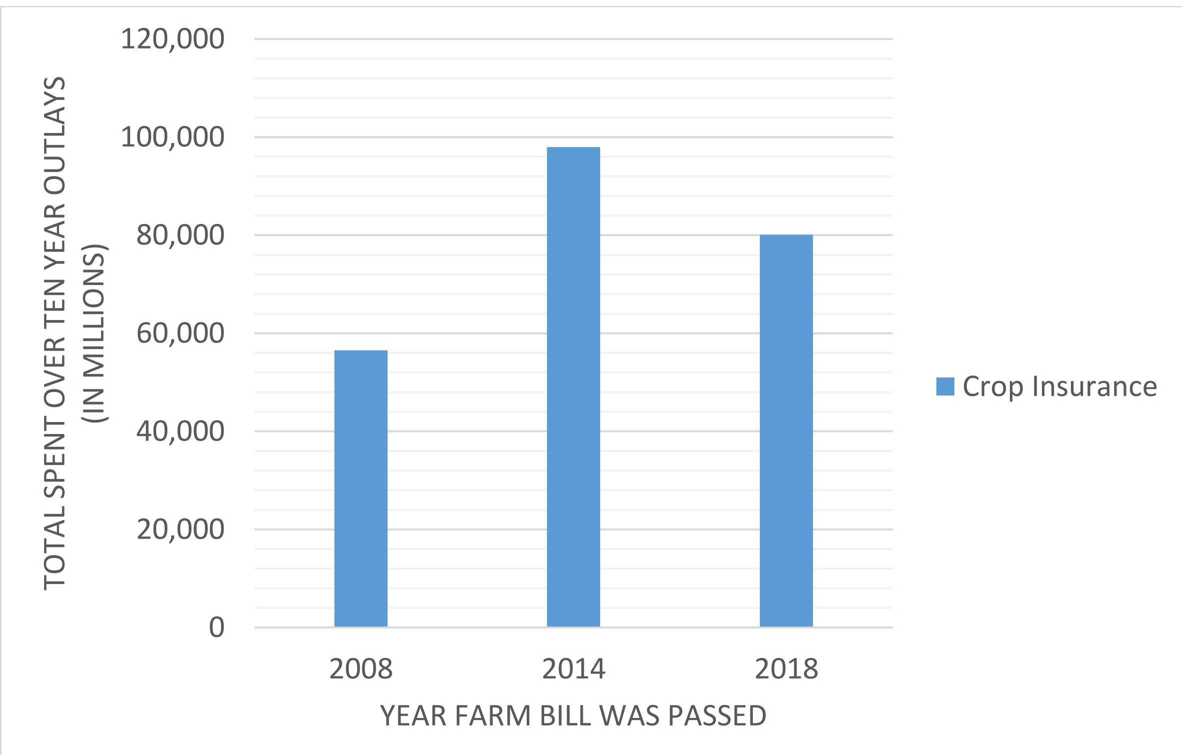


Figure 3 shows the projected ten-year outlays for the nutrition title for each farm bill passed in the last decade. In 2008, nutrition spending was projected to be close to 500 billion dollars, which exceeds projected funding for any title discussed in this thesis for any given farm bill year. Then, in 2014 the projected budget outlay for the nutrition title jumped to almost 800 billion dollars, which is a significant leap from an already high figure. The most likely reason for this cause was the Great Recession of 2008. In fact, by 2013 the recession had "driven SNAP enrollments to 47.8 million people, (which was) an increase of 78 percent since 2008" (Hamilton, 2014). In the next farm bill, the ten-year outlays decreased by almost 100 billion, but still came out just under 700 billion dollars. By the time of the 2018 farm bill, the economy had stabilized, likely leading to a slight decrease in projected outlays. In fact, as of 2019, SNAP benefits were claimed by an estimated 34.4 million Americans, a stark decrease from 2013 (USDA 2020).

Figure 3

Projected Spending Outlays for Nutrition Over the Last Decade

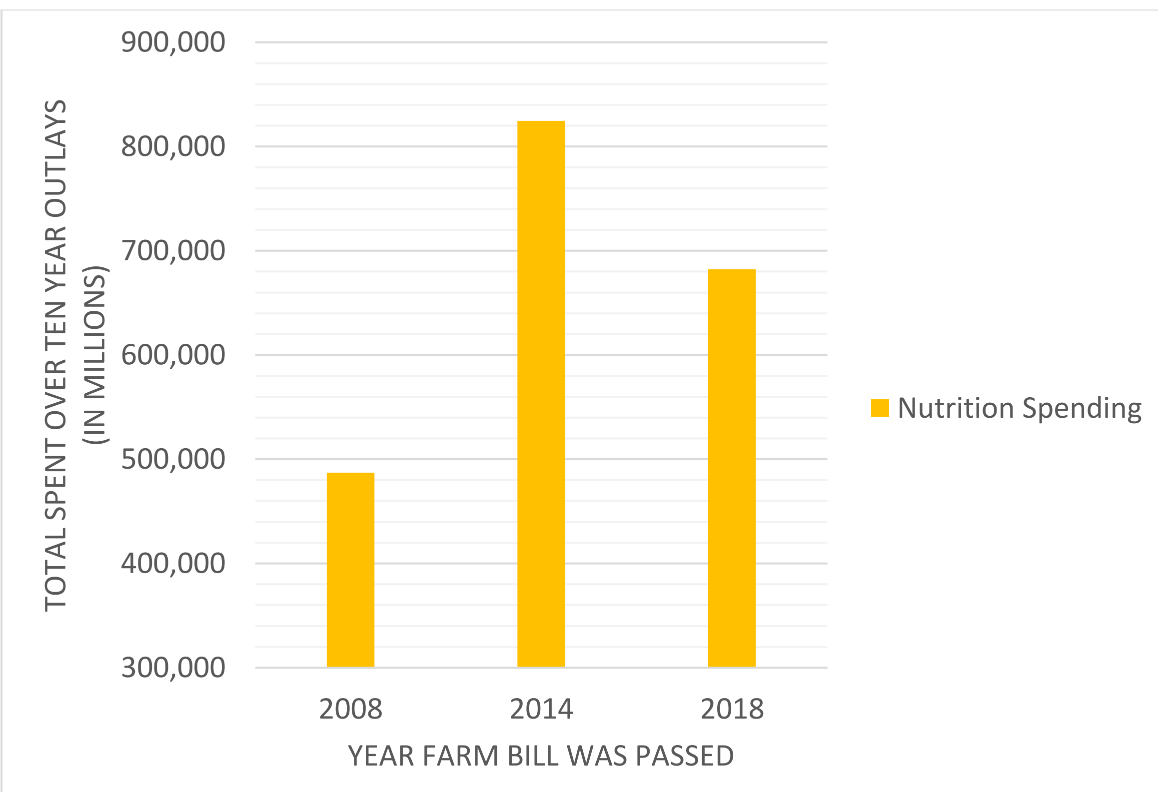
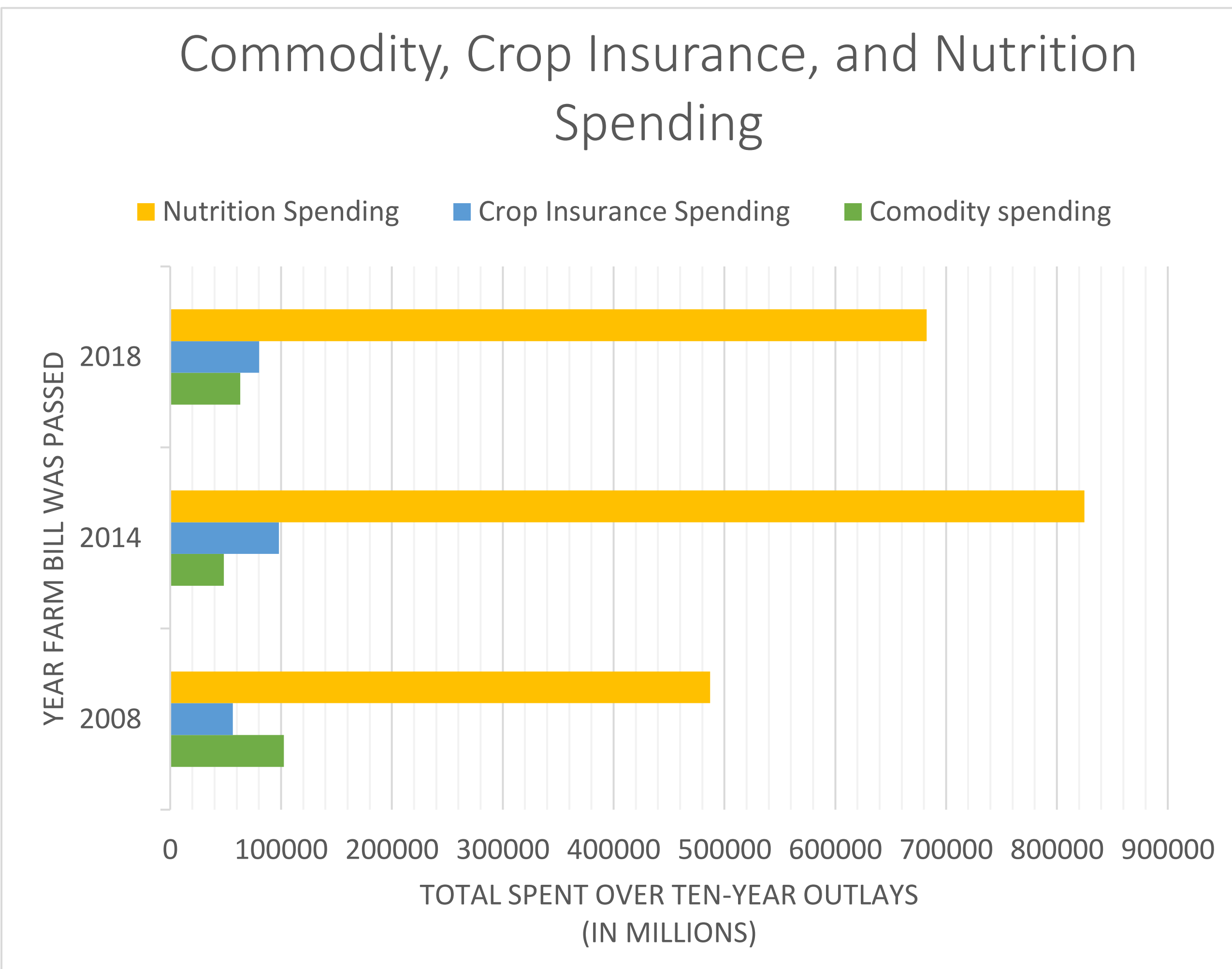


Figure 4 compares the three titles discussed in this report for reference. The general trend of this graph shows that funding for nutrition and crop insurance increased from 2008 to 2014 while spending on commodities decreased for the 2014 farm bill. However, projected spending on commodities increased the next year while funding for the other titles decreased.

Figure 4

Ten Year Outlays for Commodity, Crop Insurance, and Nutrition Spending Over the Past Decade



Overall, this data shows multiple fluctuations in each title for each year there was a farm bill. As mentioned earlier in this section, the only thing that stays consistent in this study is the fact that nutrition is by far the bulk of farm bill spending when compared to the two other titles examined in this report. As mentioned earlier in my analysis, the Great Recession of 2008 played a significant role in determining how much was spent in the nutrition title in 2014. Many other political and economic factors affected the 3 titles across the last decade and using this information it is possible to predict what might happen in the next farm bill.

Conclusion

This thesis examined three major titles of each farm bill passed in the United States over the last ten years. This data compared projected outlays over ten fiscal years for each of the bills passed in the last decade. Because it is difficult to determine exactly how much is spent in such large congressional pieces of legislation, projected outlays made more sense to use for this thesis and they give a good idea of how much Congress wanted to allocate to particular titles over a long period of time.

The data disproved the hypothesis that funding for nutrition had increased since 2008. While it was found that there was a significant increase between 2008 and 2014, funding decreased in 2018 by almost 100 billion dollars. Furthermore, the analysis of this data also disproved the hypothesis that spending on crop insurance and commodity programs had decreased since 2008. As discussed earlier, crop insurance funding increased significantly between 2008 and 2014 which was followed by a slight decrease in projected spending in 2018.

Meanwhile, commodity spending did the opposite, with a slight decrease between 2008 and 2014 with a jump in spending in 2018.

As discussed in the analysis of data presented in this thesis, times of economic strife can greatly impact how money is allocated in a farm bill. I predict in the next farm bill there will be increased spending on the nutrition title, especially after the Coronavirus pandemic of 2020. This will lead to significant job loss and will also likely increase the amount of Americans that seek SNAP benefits, which could increase the nutrition budget once again in the next farm bill. If marijuana is declared federally legal, I would be interested to see if the next farm bill's crop insurance title includes any provision for marijuana being federally insured.

It is important to note that the farm economy can also have an effect on projected funding when farm bills are passed. For example, in 2014 crop prices were relatively high when the bill was enacted. This could explain the drop in commodity spending in 2014 (Orden and Zulauf, 2015). If crop prices were already high when the farm bill was enacted, it is likely Congress felt that reduced commodity support would be a good place to cut funding. Because prices are high, farmers need less support from the federal government. If crop prices are low at the time of drafting a farm bill, it is likely that government spending would increase, especially for the commodity title of the farm bill.

Further research on the farm bill would be very beneficial to the agriculture industry, including comparing how much is spent on the titles not discussed in this thesis. This research could also examine the possible effects of separating the nutrition title from the farm bill to be considered as a separate bill and how this could impact how smoothly future farm bills would be passed. It would also be interesting to see what could occur if the farm bill was not passed before it expires. In the event of this scenario, the bill would revert back to the Agricultural Adjustment

Act of 1933, which would have severe ramifications on the agricultural industry. These effects could be examined in the future to further research like this.

Overall, I feel that this research is a positive contribution to a field I am excited to learn more about. Agricultural policy is not a topic that many people find an interest in, but I wanted to conduct this research to expand the information available to other researchers passionate about this project. This thesis taught me more about how to conduct research, how to create usable and viable data, and why it is important to be involved in the political process. By examining where members of Congress vote to spend money, people can vote them out of office or continue to support them. I also learned that when the economy is doing bad, there may be a lag between when help is needed and when funding is provided. For example, as mentioned earlier, the 2014 farm bill had increased nutrition outlays to help account for the amount of people on SNAP almost four years later.

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