



INTRODUCTION TO FEDERAL SUPPORT OF U.S. AGRICULTURE

AAE 320

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Agricultural and Applied Economics



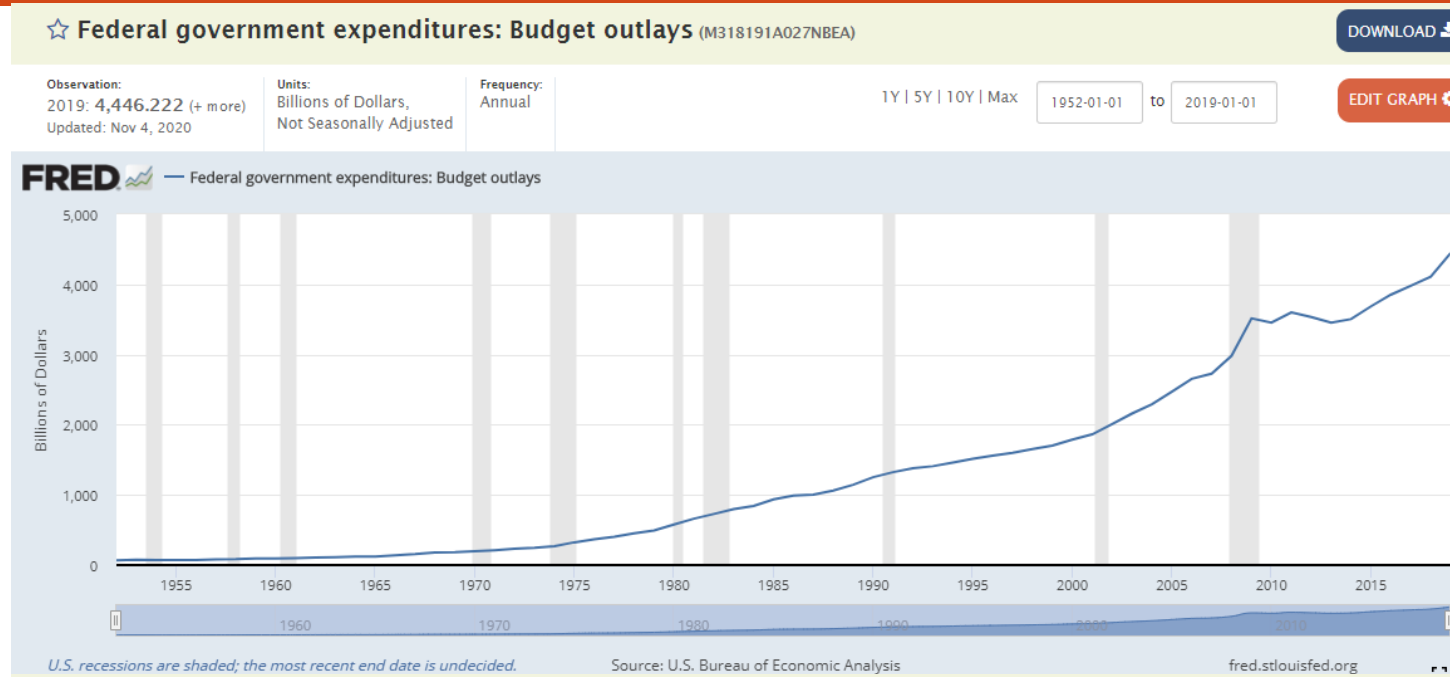
AGRICULTURAL & APPLIED ECONOMICS
College of Agricultural & Life Sciences

Learning Goals

- To understand overall federal spending in the US and where agricultural support fits into broader government spending
- To become aware of how important government support is for farmers

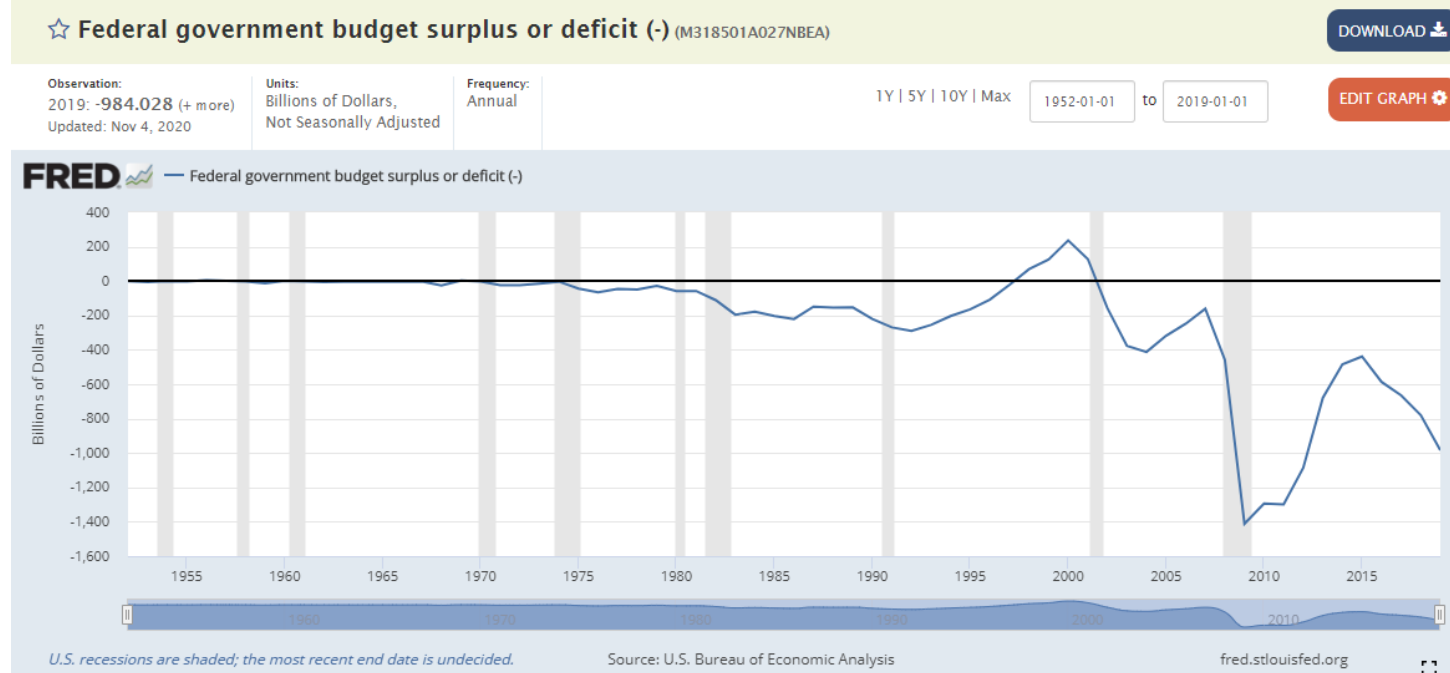
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**\$4.45
Trillion**



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**\$984
Billion**

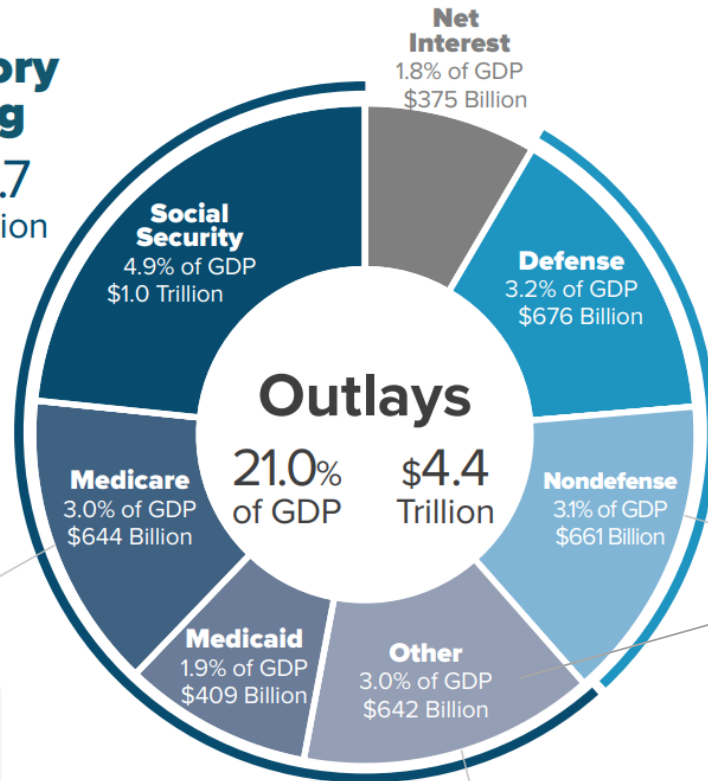


<https://fred.stlouisfed.org/tags/series?t=budget%3Bfederal>

THE FEDERAL BUDGET IN 2019

Mandatory Spending

12.9% of GDP
\$2.7 Trillion

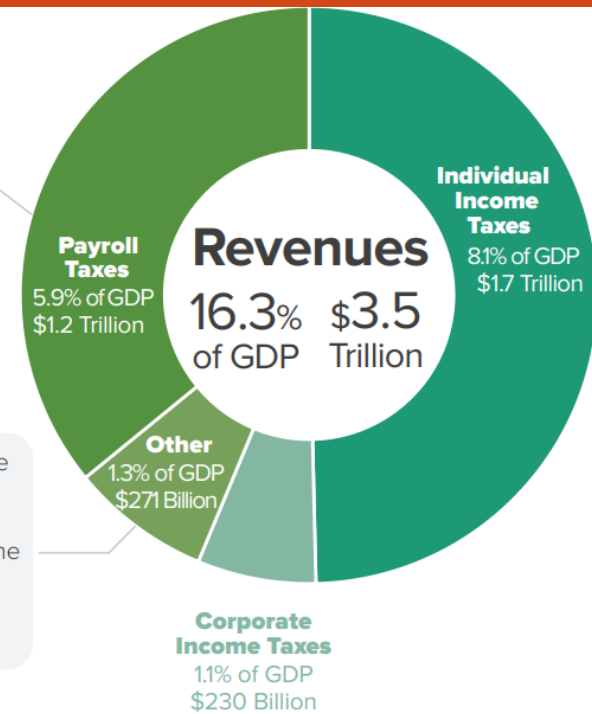


Outlays for Medicare minus income from premiums and other offsetting receipts

Discretionary Spending

6.3% of GDP
\$1.3 Trillion

Outlays for many programs related to transportation, education, veterans' benefits, health, housing assistance, and other activities



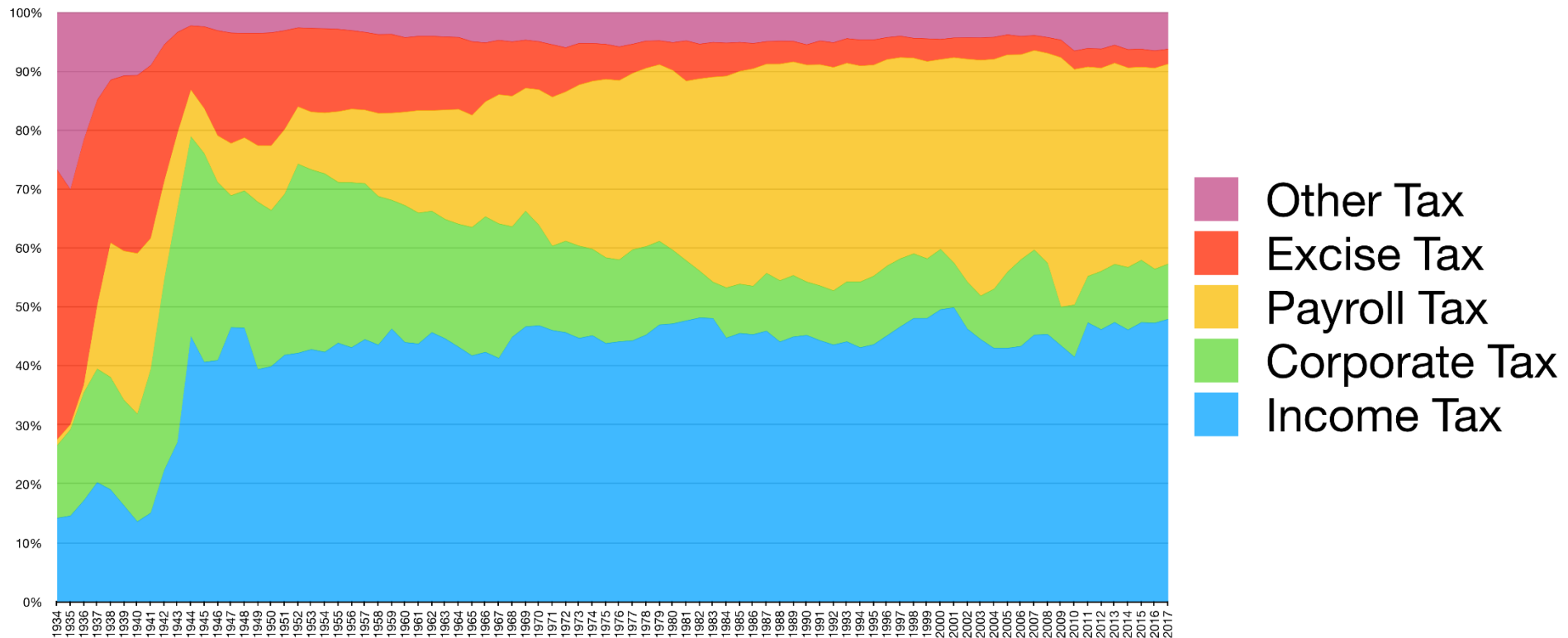
Taxes that fund social insurance programs, primarily Social Security and Medicare's Hospital Insurance program

Excise taxes, estate and gift taxes, customs duties, remittances from the Federal Reserve, and miscellaneous fees and fines

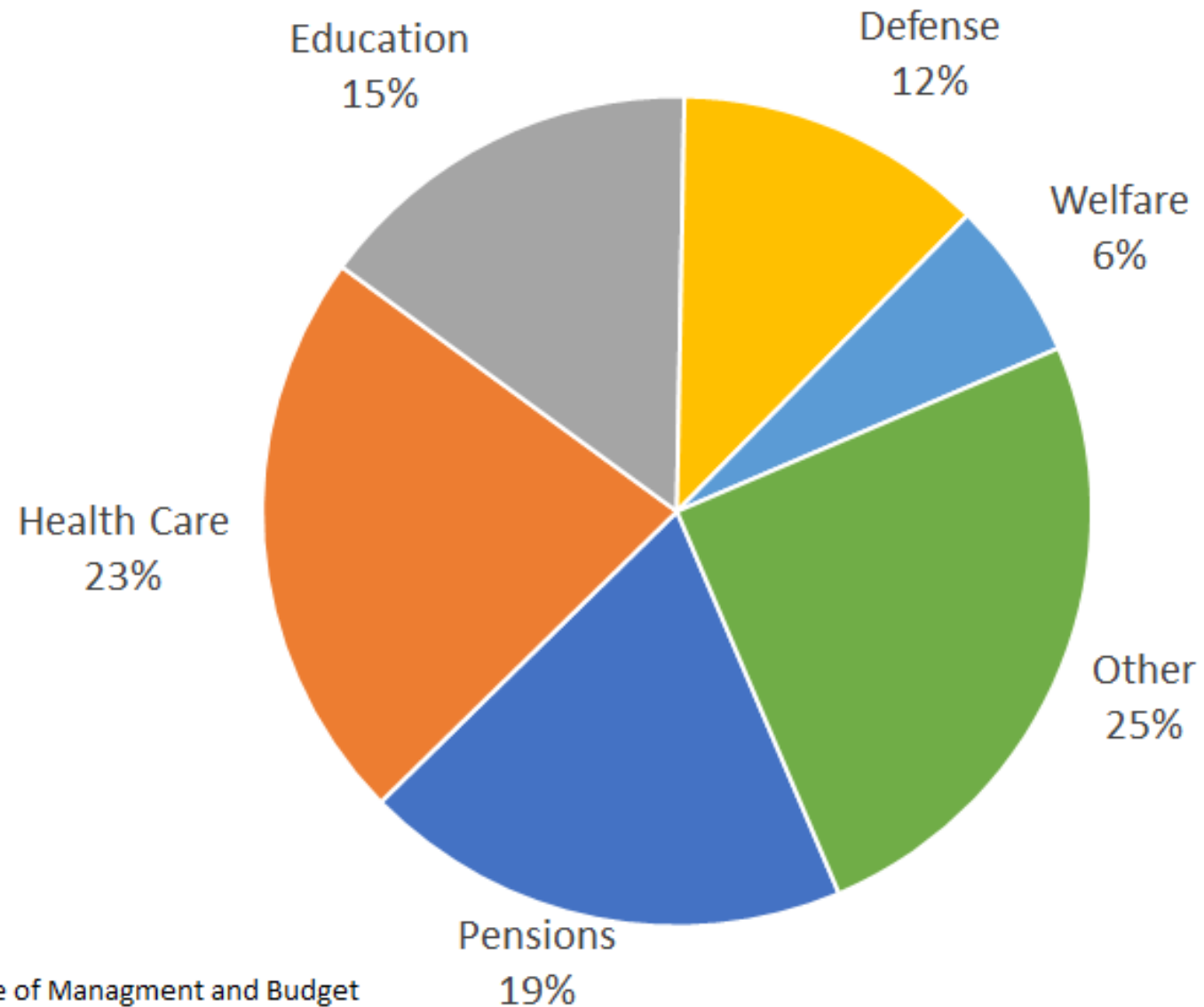
Outlays for unemployment compensation, federal civilian and military retirement, some veterans' benefits, the earned income tax credit, the Supplemental Nutrition Assistance Program, and other mandatory programs, minus income from offsetting receipts

Where does the federal government get its money?

Federal Revenue % by Tax



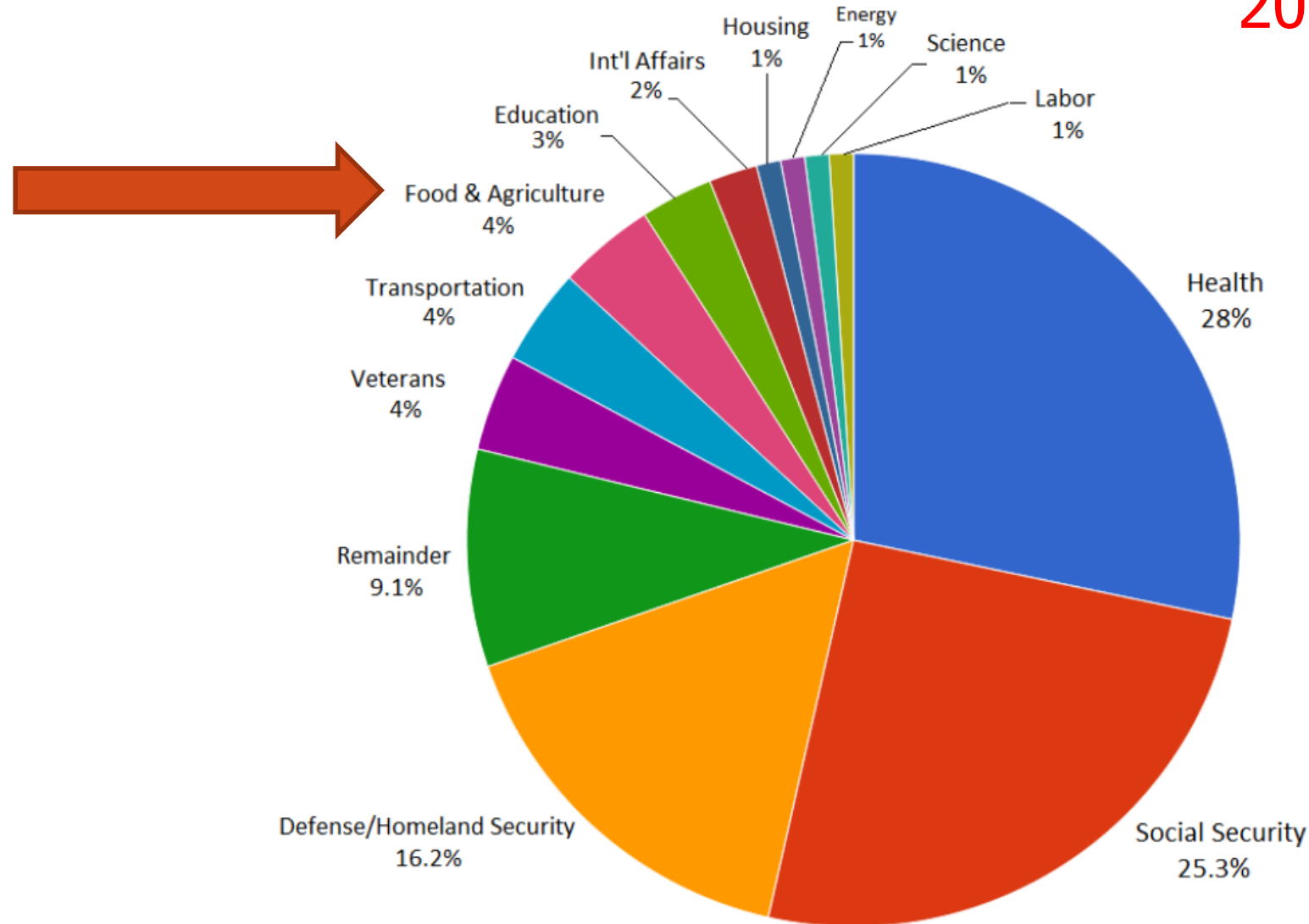
2018 Total U.S. Government Spending Breakdown



data source: Office of Management and Budget

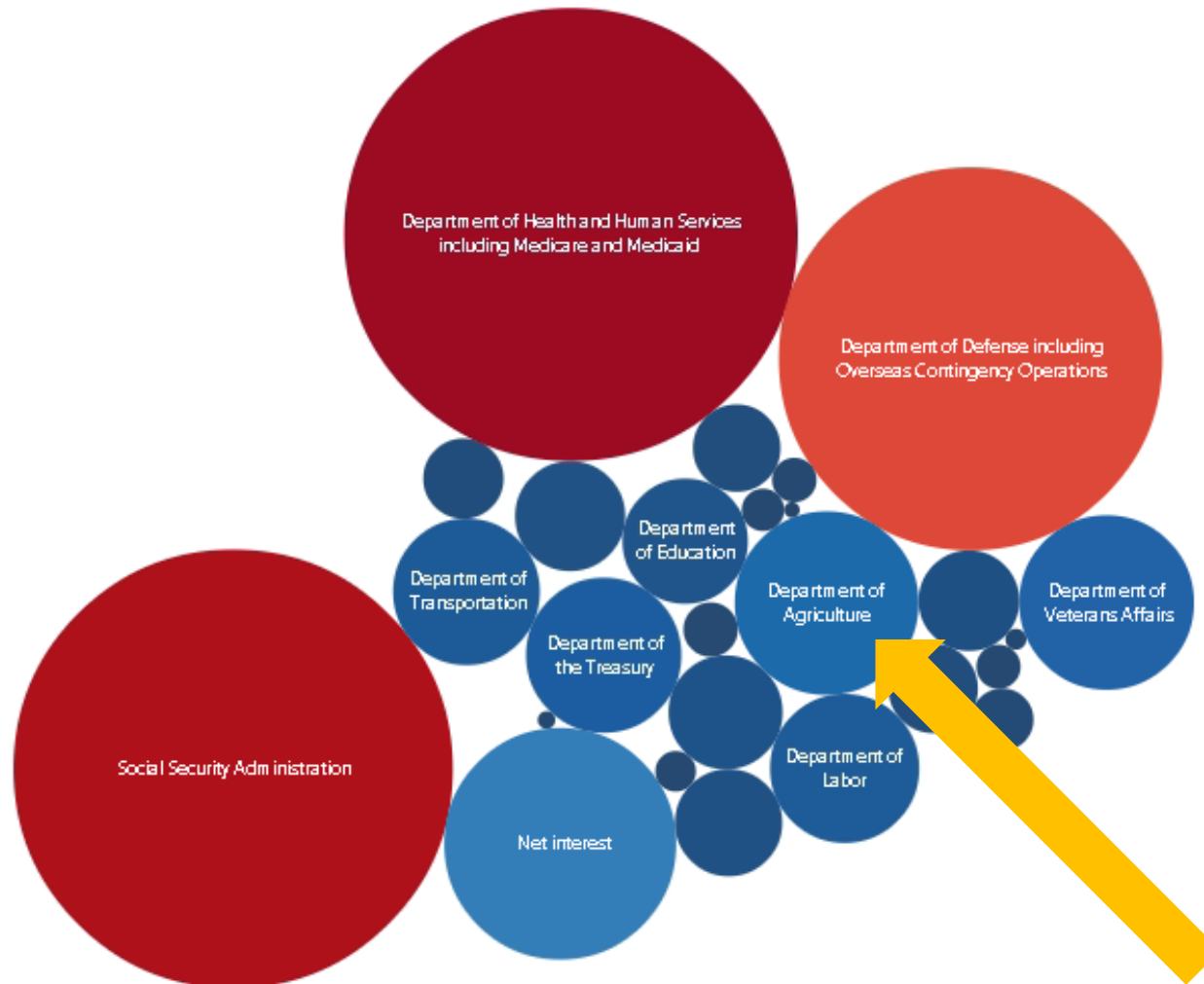
Percent of spending, including discretionary and mandatory

2015



How is money spent by the US government?

2013 United States Federal Budget



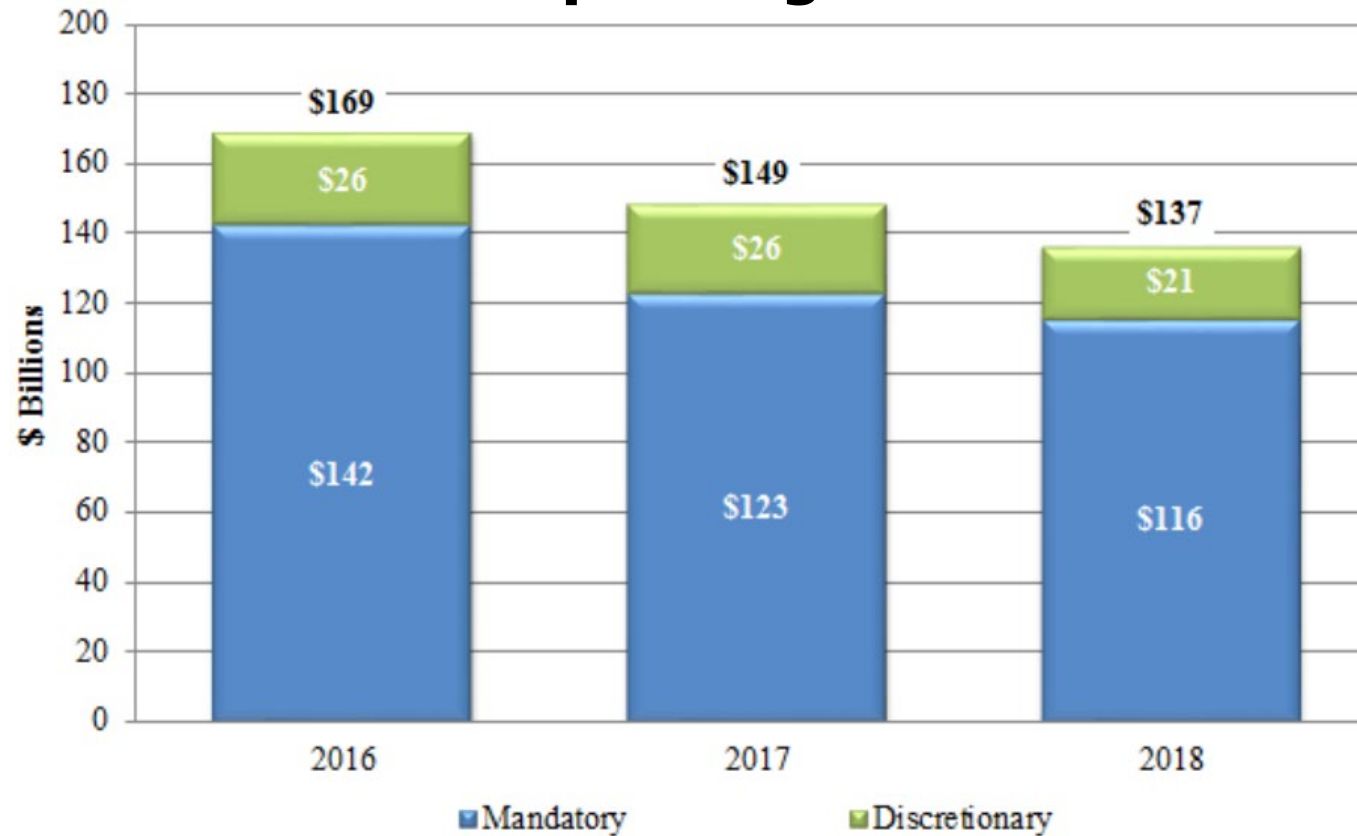
Same data looked at by Department

- USDA the 5th largest bubble

- 1) DHHS
- 2) SS
- 3) DoD
- 4) Net Interest
- 5) USDA at \$154B in 2013

Most USDA Spending is Mandatory

USDA Spending 2016-2018



Mandatory Spending: SNAP, crop insurance, commodity support, conservation programs

- Declining as SNAP decreases due to economy improving

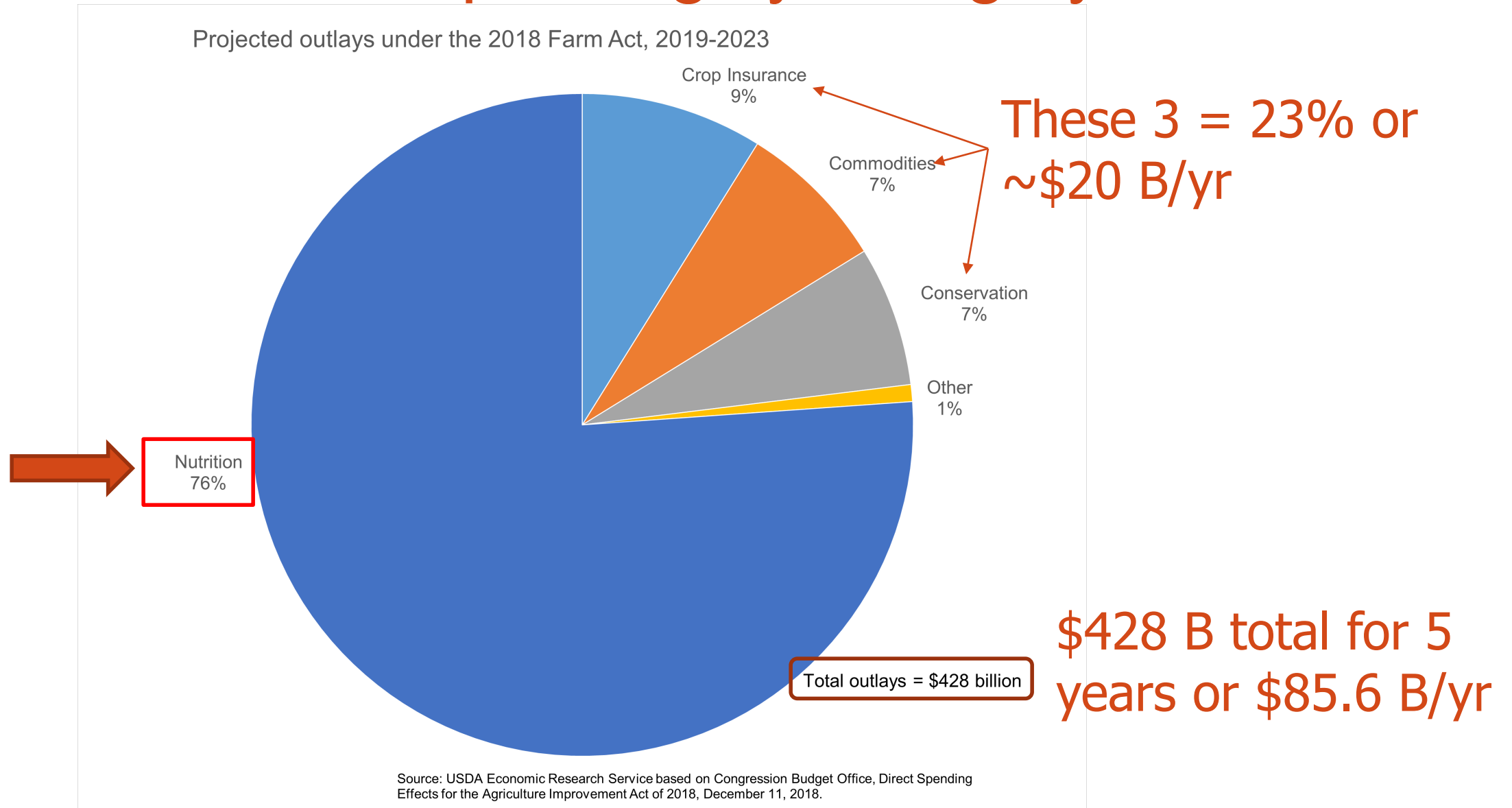
Farm Bill

- Every 5-6 years, Congress and the President pass a Farm Bill that sets agricultural, conservation and food policy for several years
 - Agriculture Improvement Act of 2018
 - Agricultural Act of 2014
 - Food, Conservation and Energy Act of 2008
 - Farm Security and Rural Investment Act of 2002
 - Federal Agriculture Improvement and Reform Act of 1996
 - Food, Agricultural, Conservation and Trade Act of 1990

2018 Farm Bill

- Huge document (529 pages), with lots of “titles” that define federal ag programs in that area
- I. Commodities II. Conservation
- III. Trade IV. Nutrition
- V. Credit VI. Rural Development
- VII. Research, Extension and Related Matters
- VIII. Forestry IX. Energy
- X. Horticulture XI. Crop Insurance
- XII. Miscellaneous
- <https://www.govinfo.gov/content/pkg/PLAW-115publ334/pdf/PLAW-115publ334.pdf>

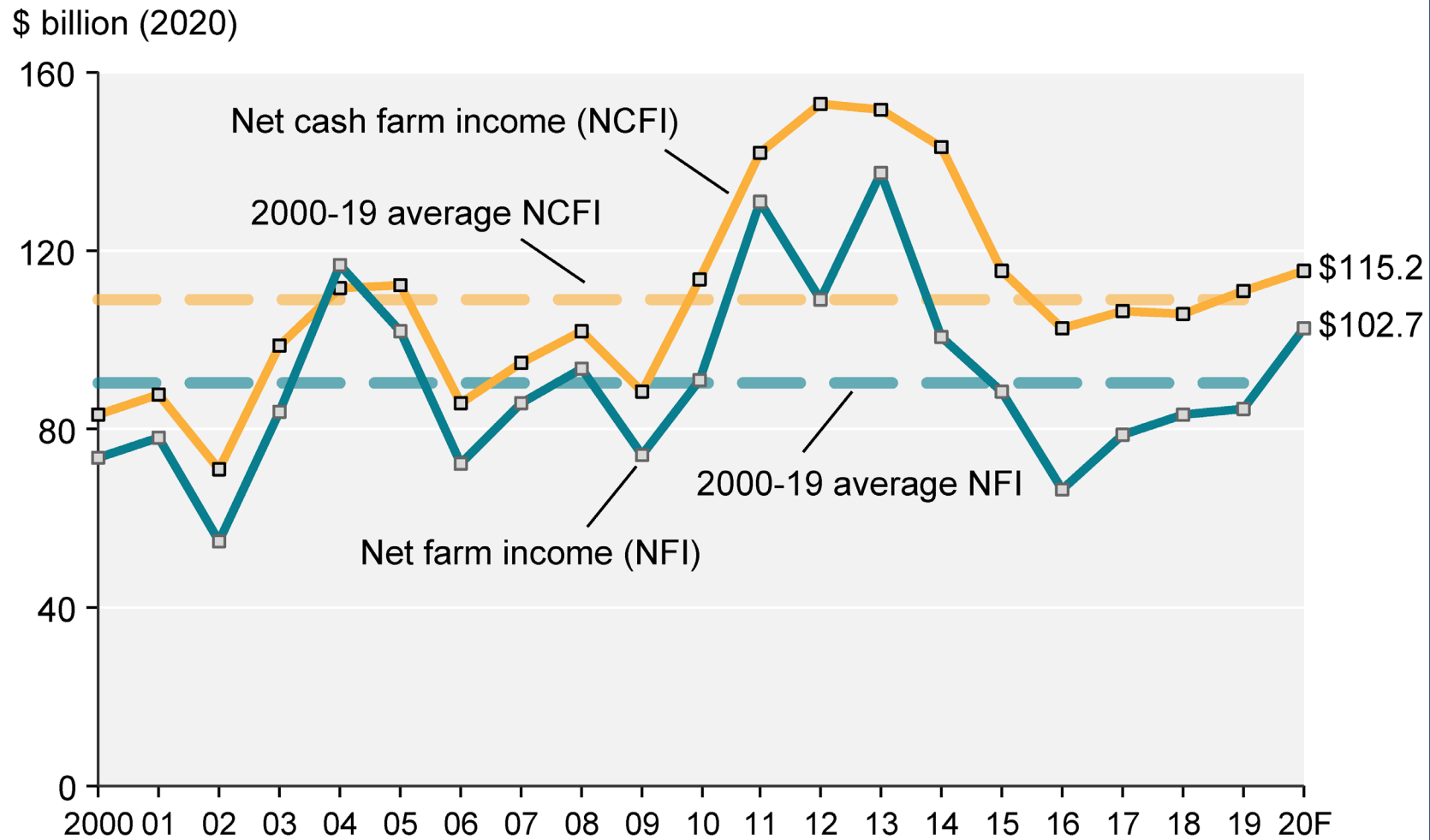
Farm Bill Spending by Category



Farm Bill Spending

- Most USDA federal spending goes for food and nutrition programs
 - SNAP (Food Stamps), school lunch/breakfast, etc.
- Payments to Farmers
 - Crop Insurance, Commodity Support, Disaster Assistance and Conservation Payments
 - First: we focus on Commodity Support
 - Second: we focus on Crop Insurance

Net farm income and net cash farm income, 2000–20F



Note: F = forecast. Values are adjusted for inflation using the chain-type GDP deflator, 2020=100.

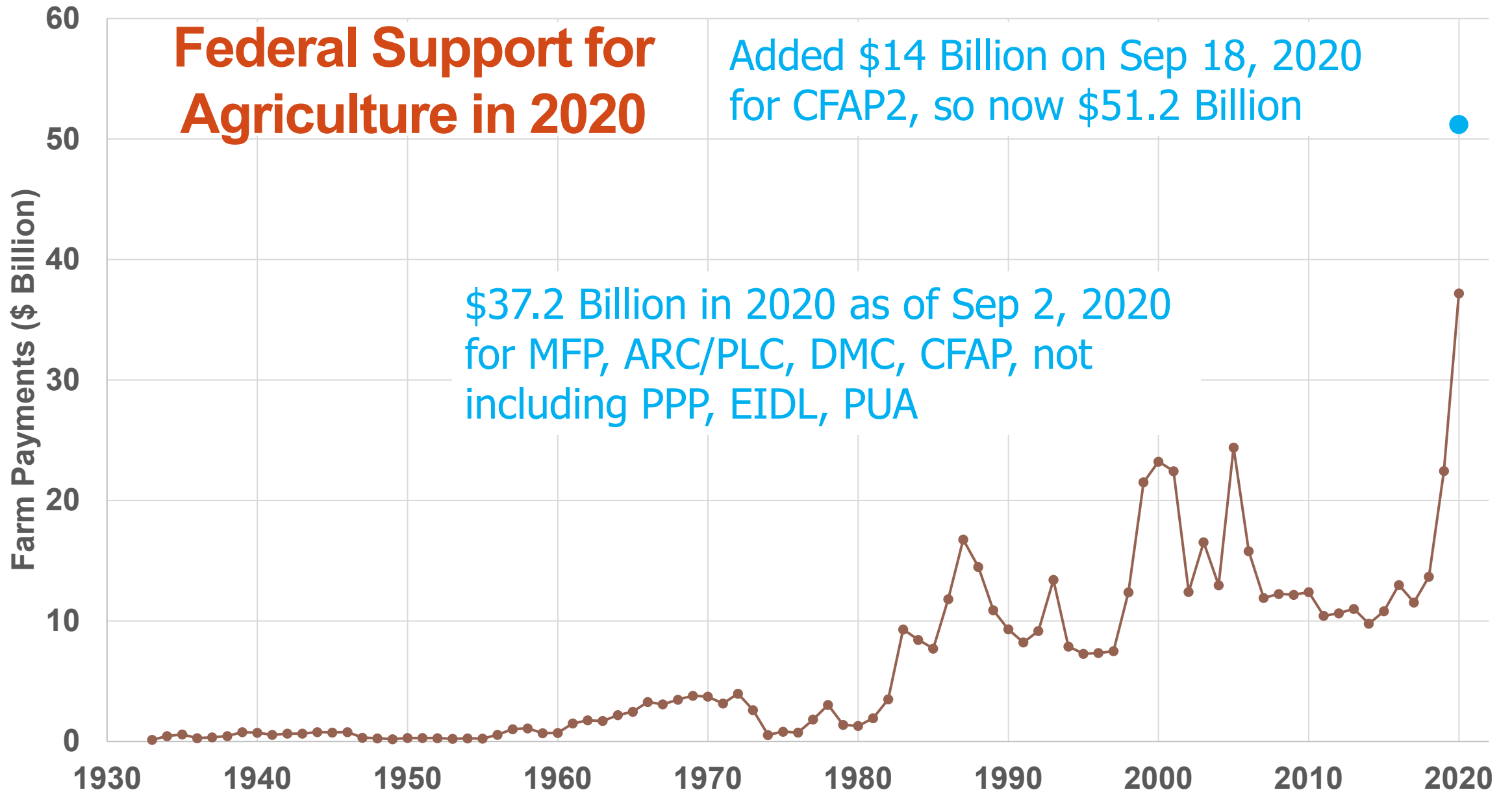
Source: USDA, Economic Research Service, Farm Income and Wealth Statistics. Data as of September 2, 2020.

<https://www.ers.usda.gov/topics/farm-economy/farm-sector-income-finances/highlights-from-the-farm-income-forecast/>

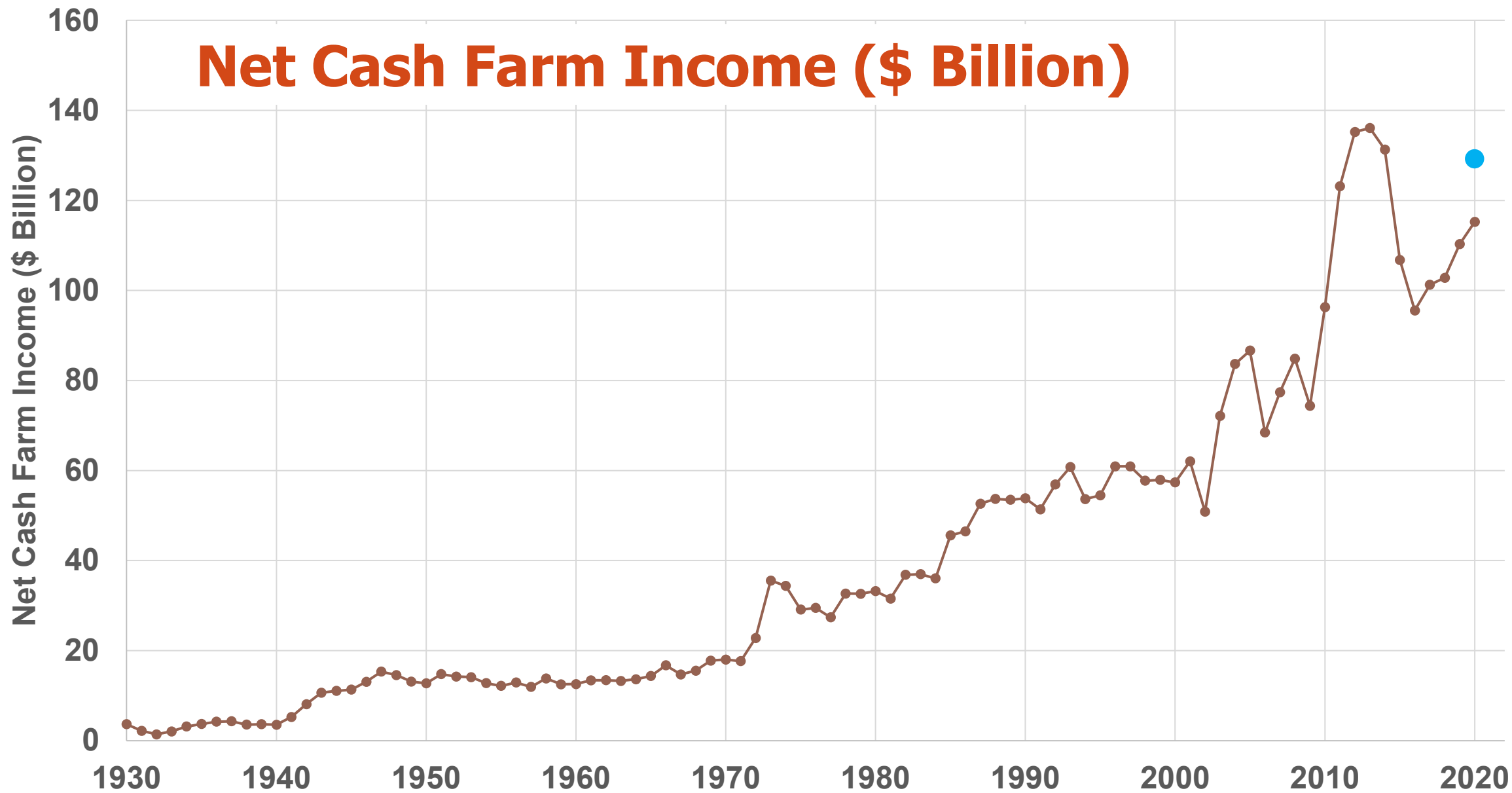
Federal Support for Agriculture in 2020

Added \$14 Billion on Sep 18, 2020 for CFAP2, so now \$51.2 Billion

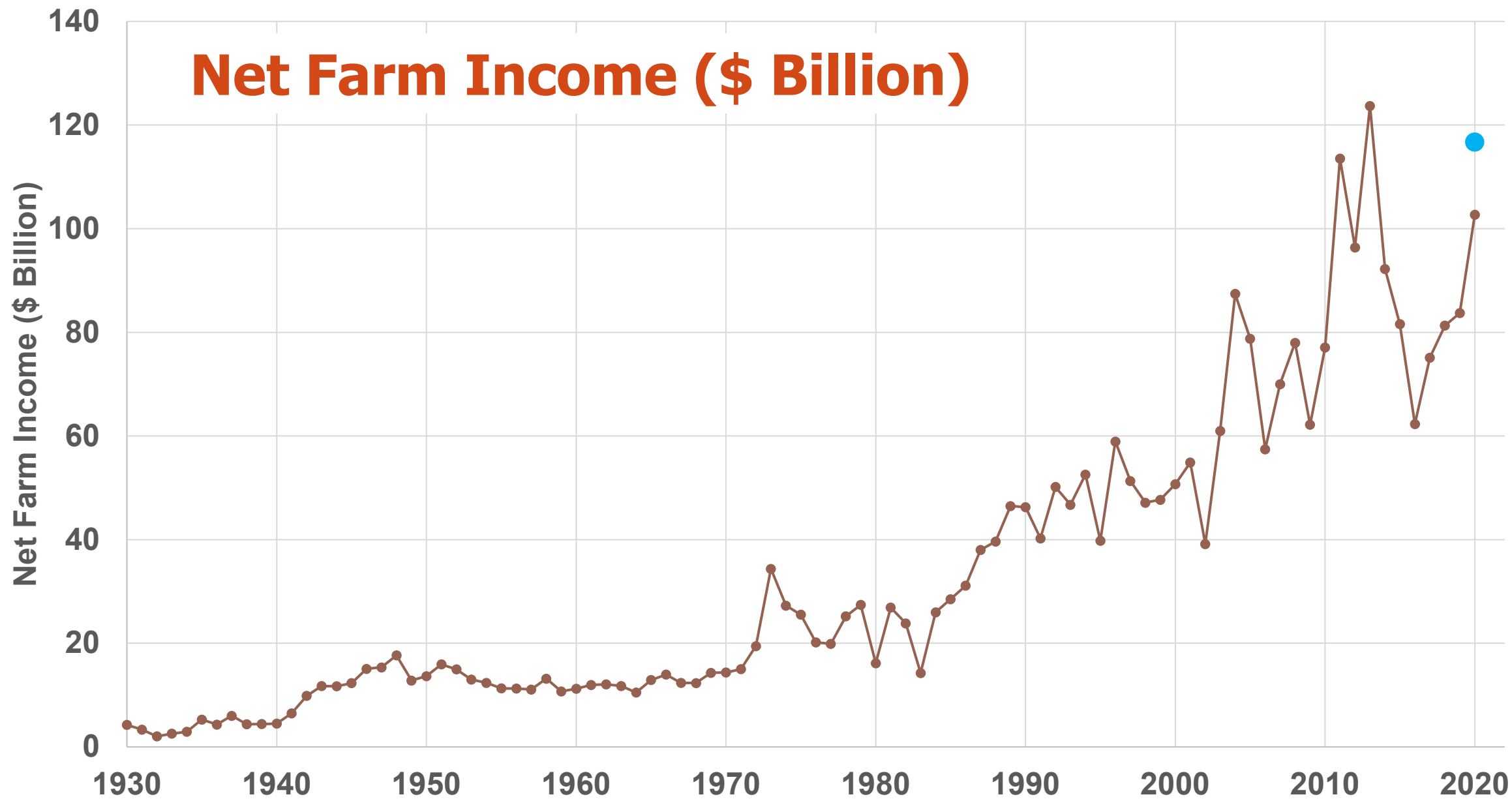
\$37.2 Billion in 2020 as of Sep 2, 2020 for MFP, ARC/PLC, DMC, CFAP, not including PPP, EIDL, PUA



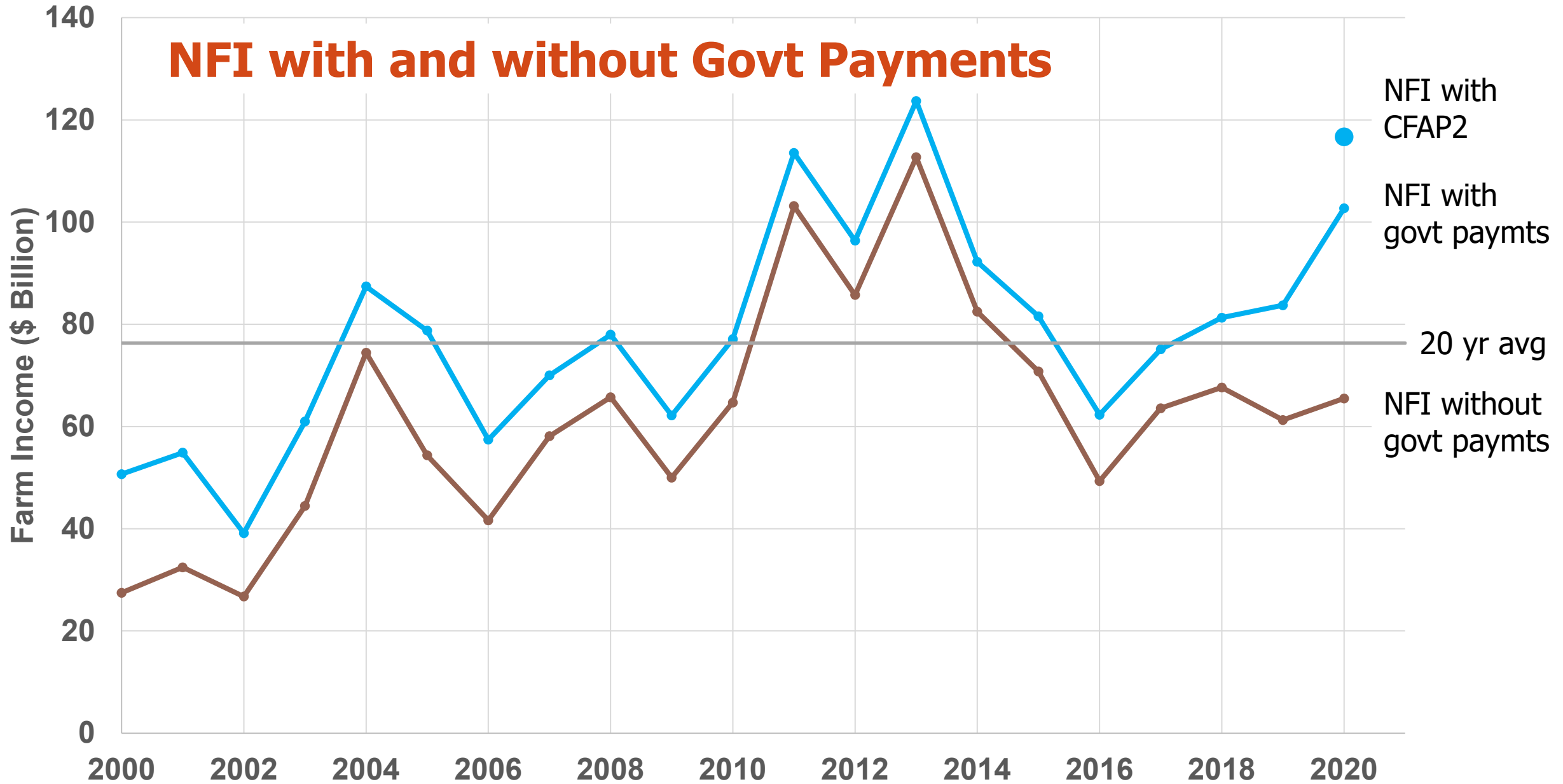
Net Cash Farm Income (\$ Billion)

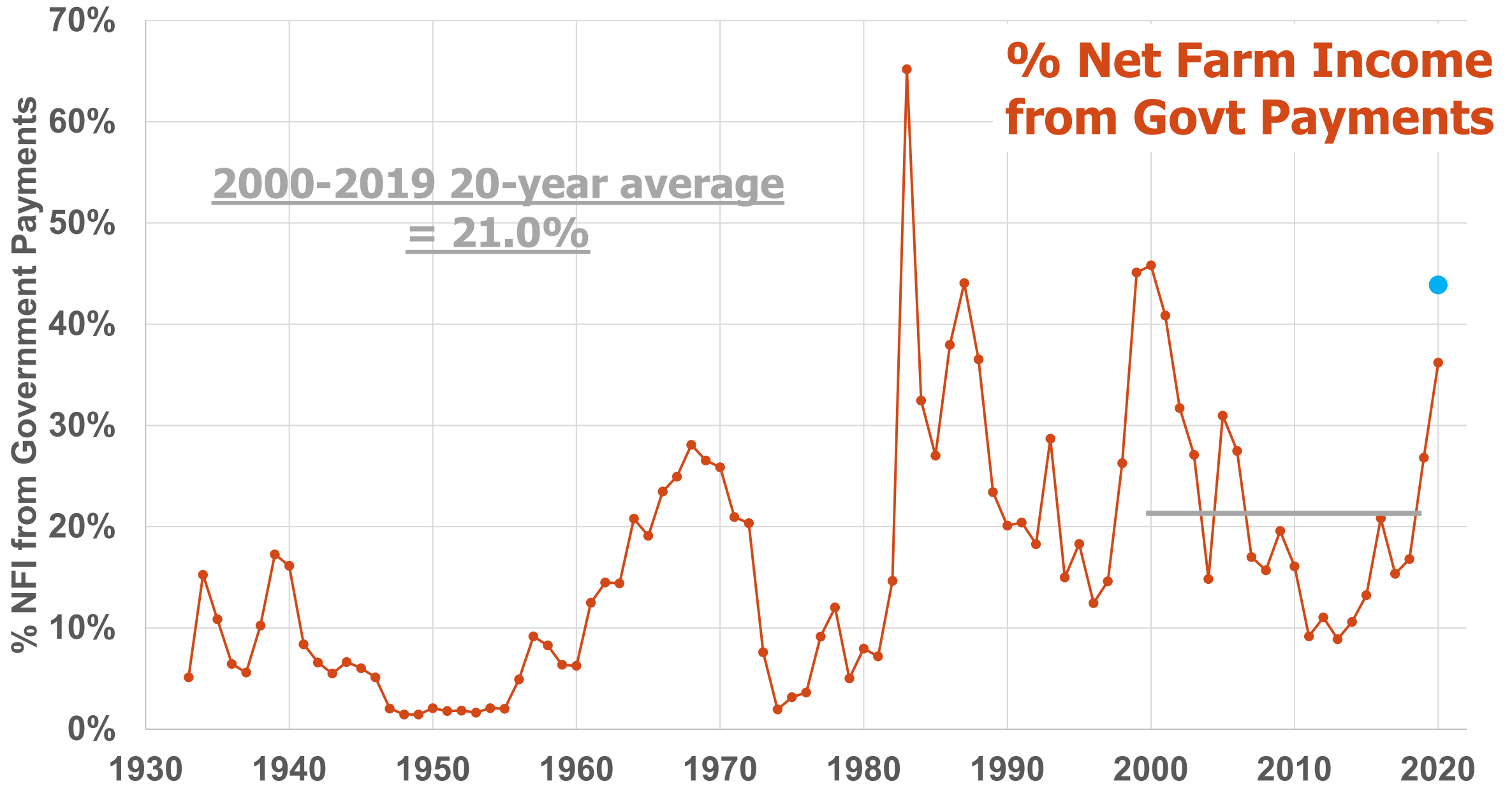


Net Farm Income (\$ Billion)

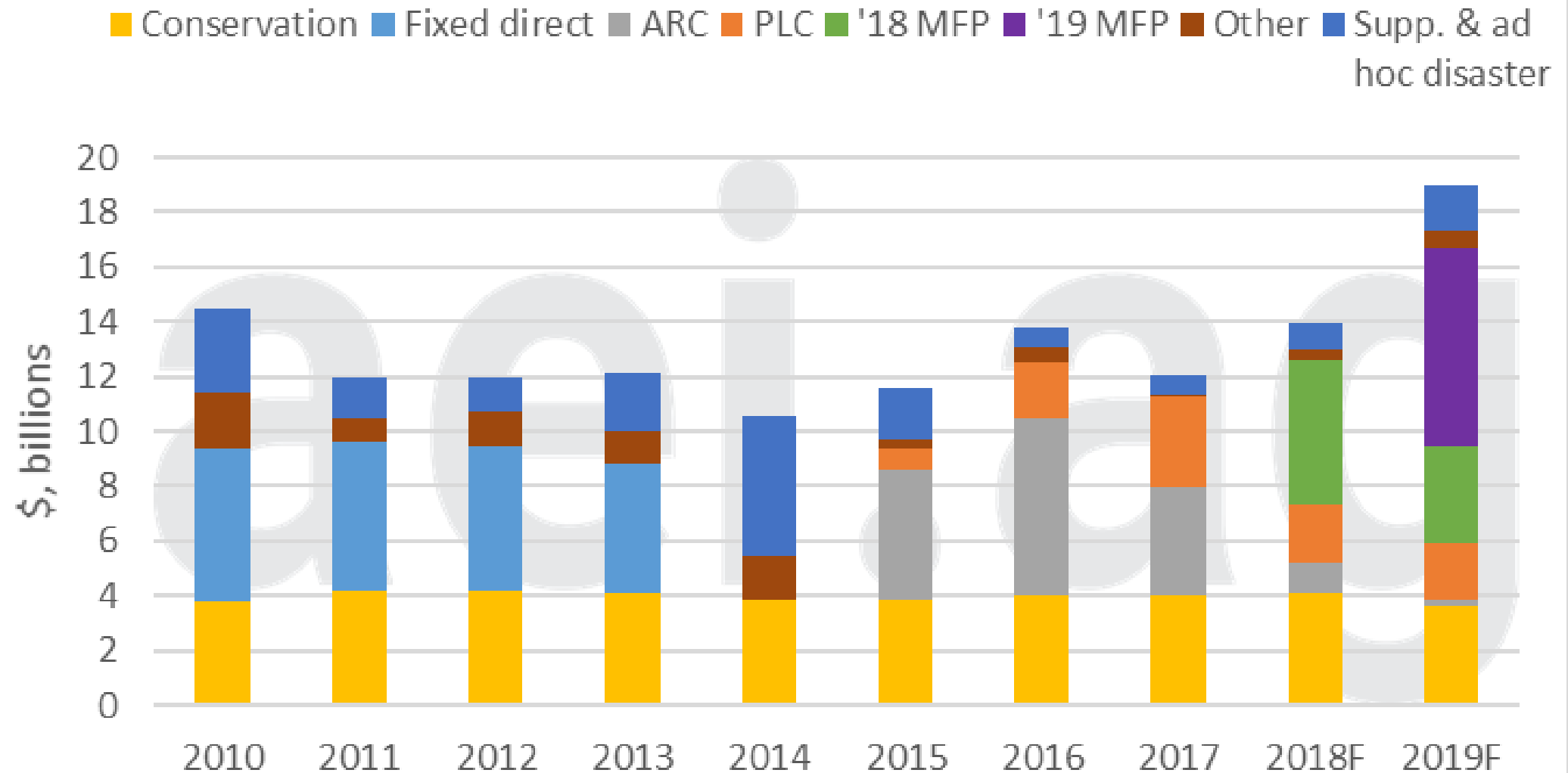


NFI with and without Govt Payments

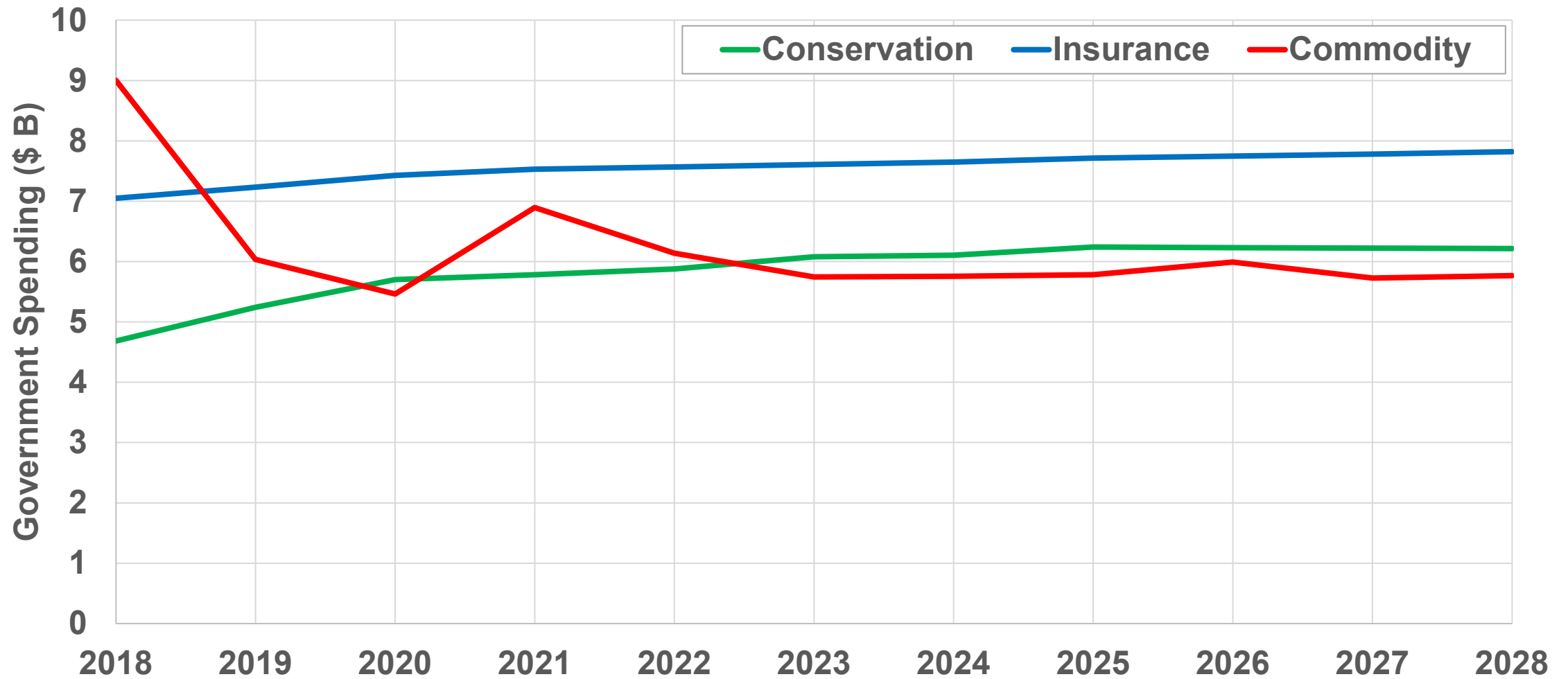




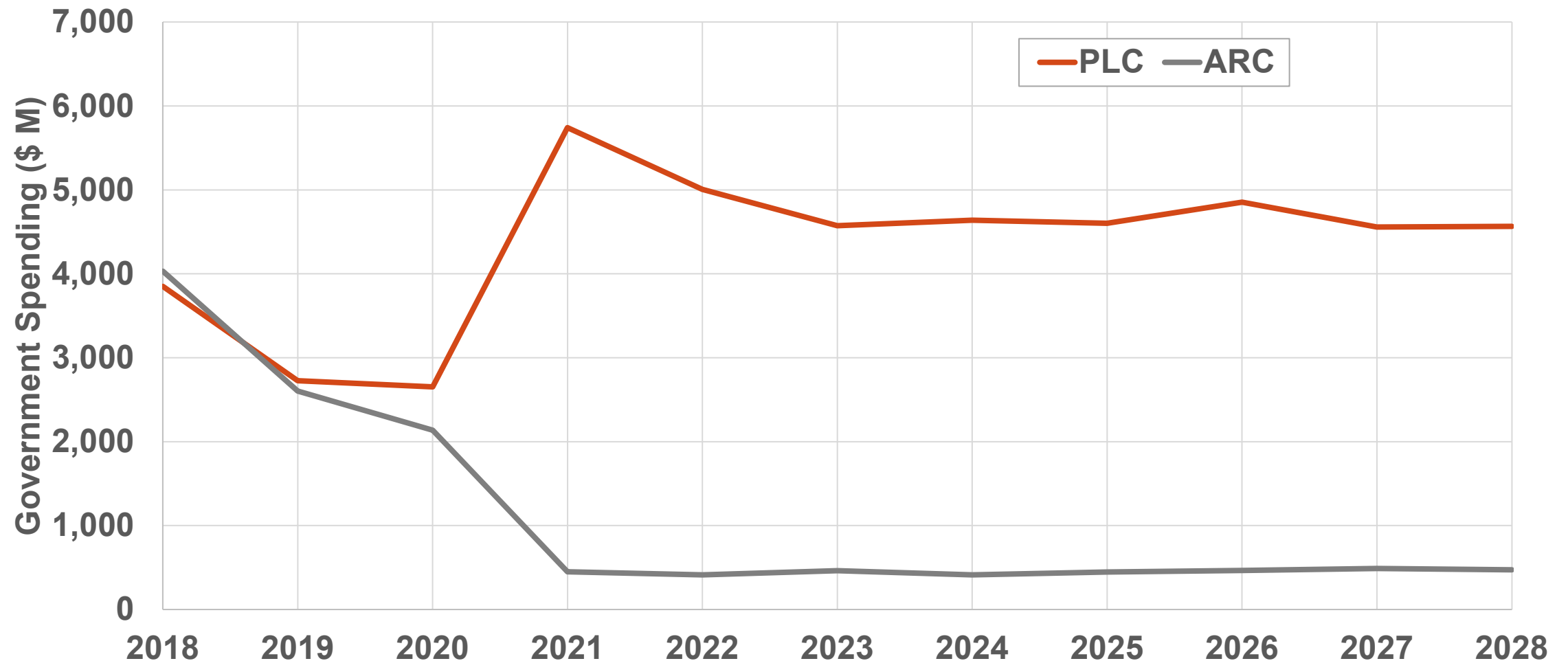
Form of Direct Farm Payments



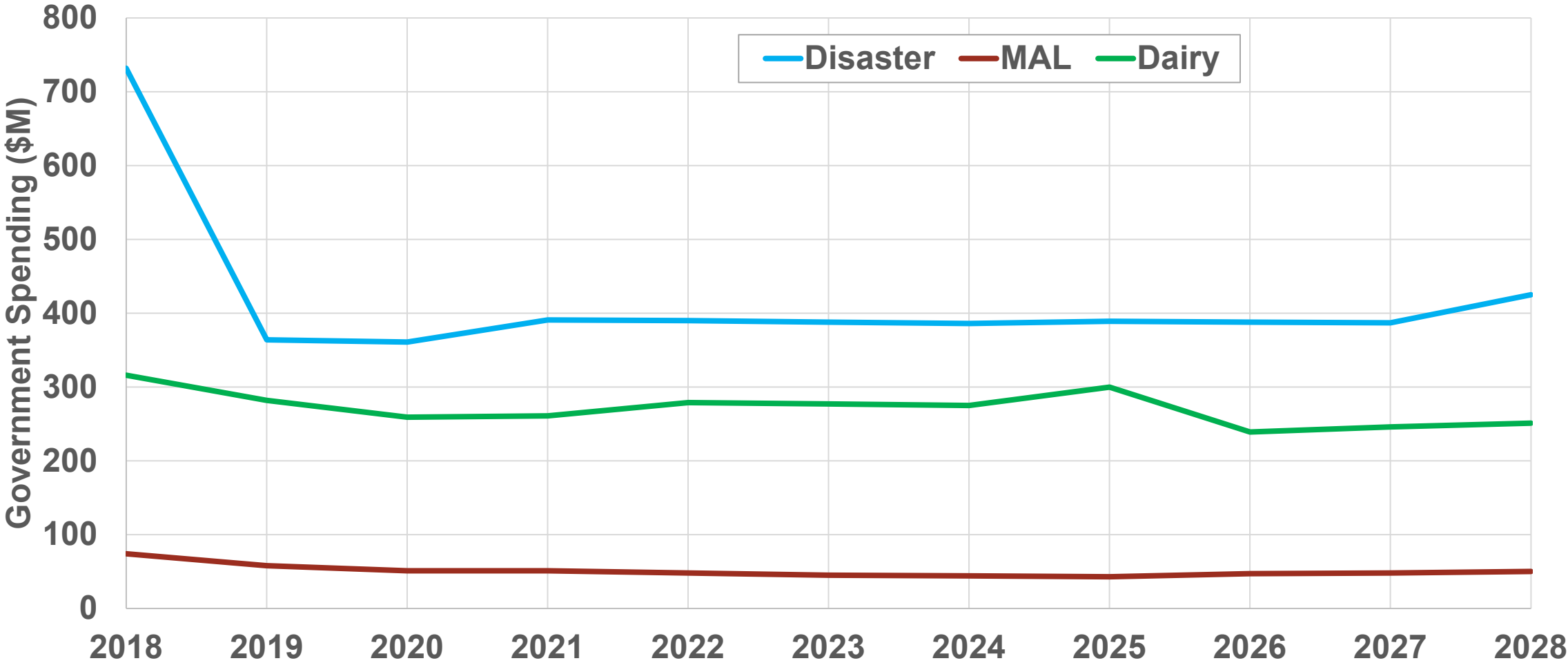
CBO Projected Spending



CBO Projected Commodity Support Spending: ARC & PLC



CBO Projected Commodity Support Spending: Minor Programs



Federal Agricultural Support Programs

- Programs we will discuss
- Commodity Support
 - Price Loss Coverage (PLC)
 - Agricultural Risk Coverage (ARC)
 - Marketing Assistance Loans (MAL)
 - Dairy Margin Coverage (DMC)
- Review each program, focusing on how each program works from a farmer's perspective
- Very briefly review Market Facilitation Program (MFP) and Coronavirus Food Assistance Program (CFAP) and CFAP2
- Next Section: Crop Insurance

Conservation Programs: USDA-NRCS Natural Resource Conservation Service

- Conservation Reserve Program (CRP)
- Removes land from crop production [land sparing]
- Environmental Quality Incentives Program (EQIP)
- Payments to adopt best management practices [land sharing]
- We will not cover Ag Conservation Programs,
- Many programs <http://www.nrcs.usda.gov/programs/>
- Congressional Research Service: Agricultural Conservation: A Guide to Programs <https://crsreports.congress.gov/product/pdf/R/R40763>

Summary

- Federal commodity support via the Farm Bill provides almost \$20 billion per year to farmers
 - Split roughly evenly between Conservation Programs, Commodity Support & Crop Insurance
 - Less than 0.5% of total federal budget
 - 2019 and 2020: higher support payments with ad hoc programs
- This support is an important part of farm income
- Commodity Support and Conservation Programs average about 20% of Net Farm Income in typical years