



INTRODUCTION TO FEDERAL SUPPORT OF U.S. AGRICULTURE

AAE 320

Paul D. Mitchell

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

★ Federal government expenditures: Budget outlays (M318191A027NBEA)

DOWNLOAD

Observation:
2020: 6,552.567 (+ more)
Updated: Nov 2, 2021

Units:
Billions of Dollars,
Not Seasonally Adjusted

Frequency:
Annual

1Y | 5Y | 10Y | Max

1990-01-01 to 2020-01-01

EDIT GRAPH



**\$6.55 Trillion
in Spending
for 2020**



DOWNLOAD

Observation:
2020: -3,132.611 (+ more)
Updated: Nov 2, 2021

Units:
Billions of Dollars,
Not Seasonally Adjusted

Frequency:
Annual

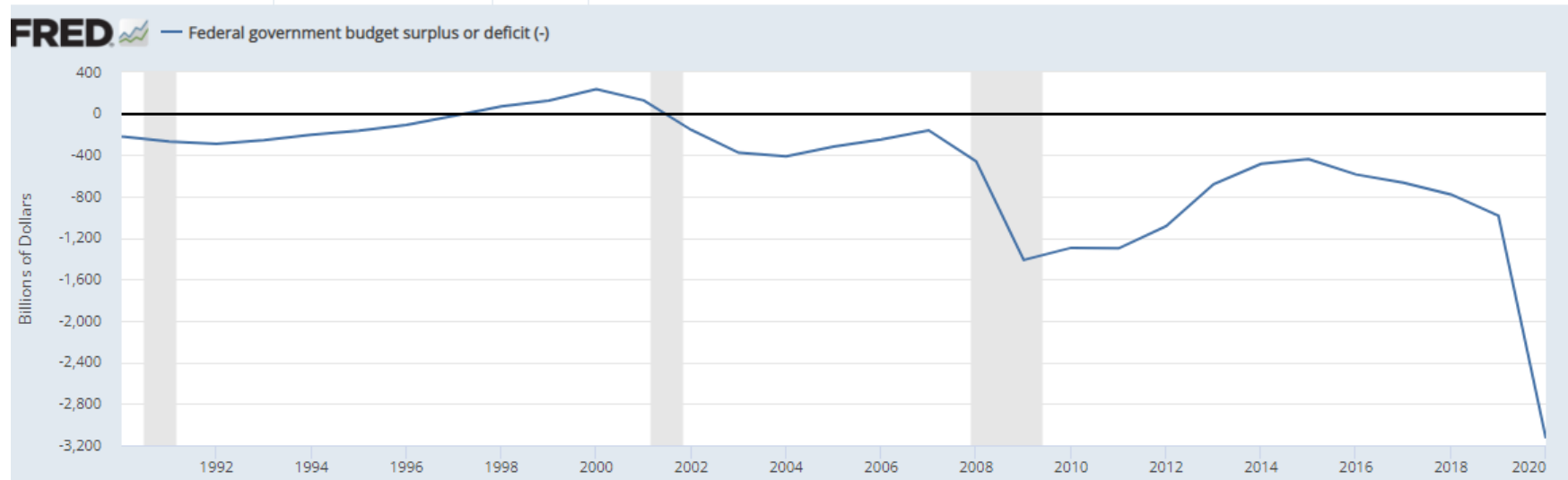
1Y | 5Y | 10Y | Max

1990-01-01 to 2020-01-01

EDIT GRAPH



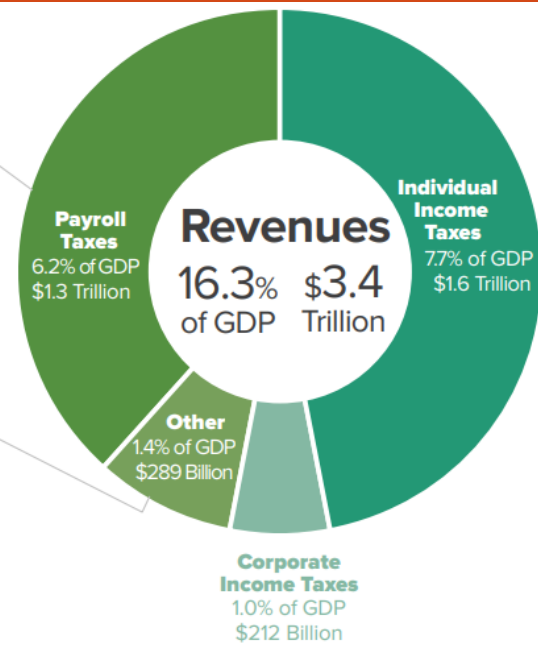
**\$3.13 Trillion
in Deficit for
2020**



THE FEDERAL BUDGET IN FISCAL YEAR 2020

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



Mandatory Spending
21.8% of GDP
\$4.6 Trillion

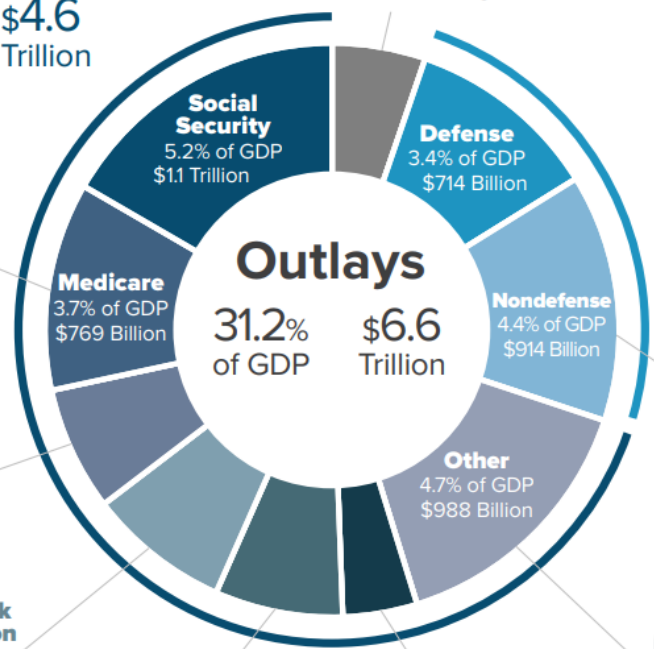
Net Interest
1.6% of GDP
\$345 Billion

Discretionary Spending
7.8% of GDP
\$1.6 Trillion

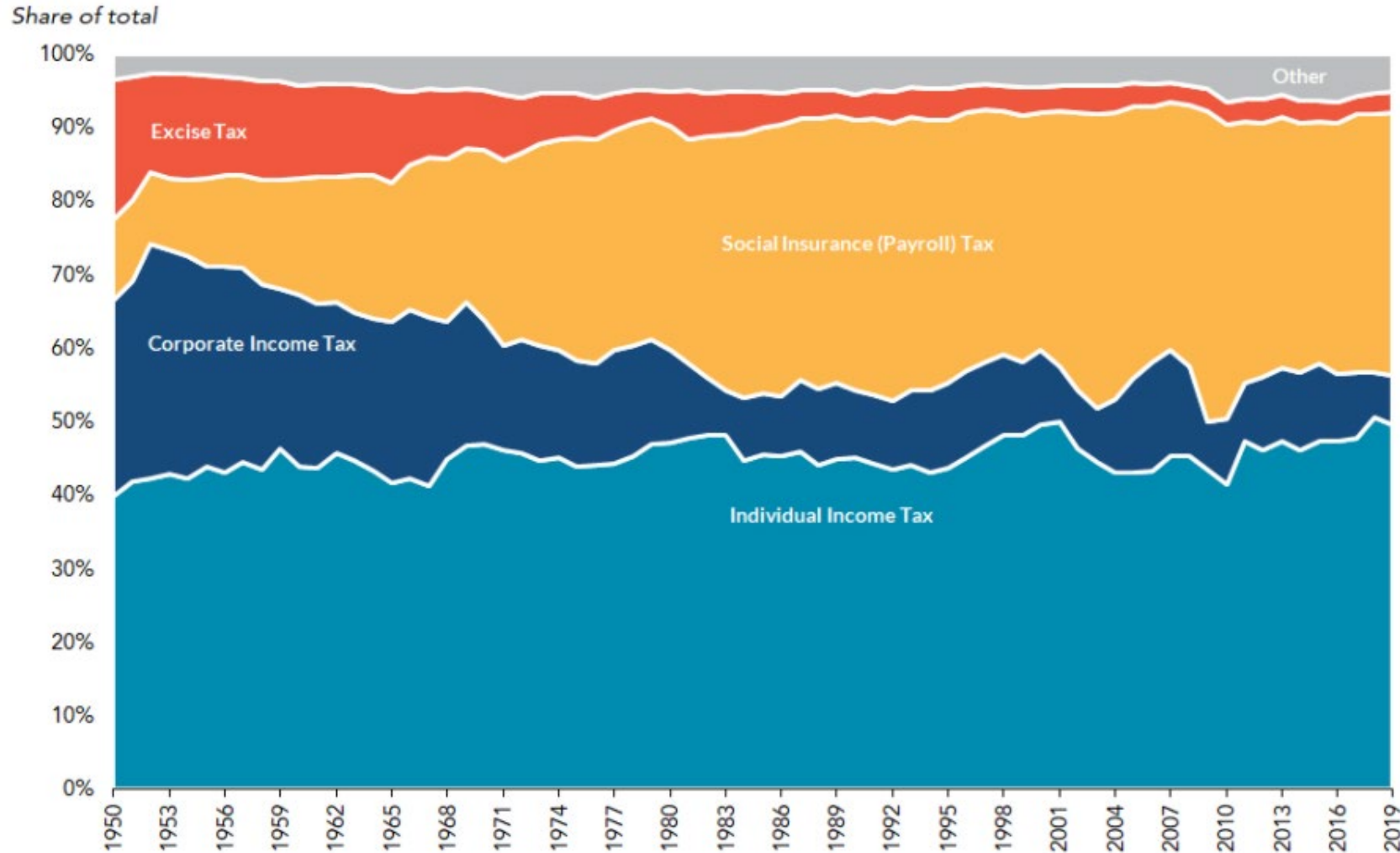
Outlays for Medicare minus income from premiums and other offsetting receipts

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

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



Historically, where does the federal government get its money?



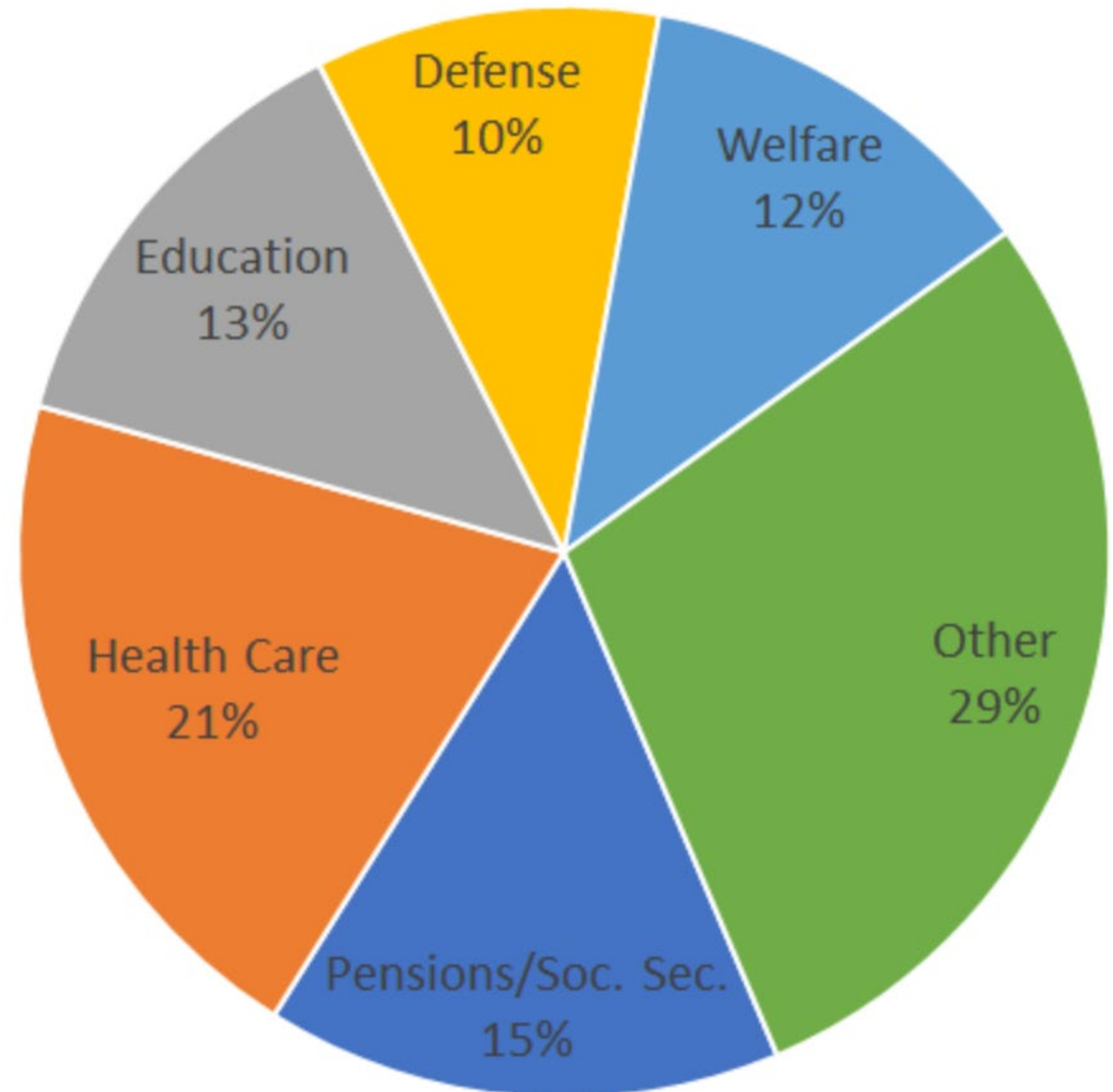
Source: Office of Management and Budget. Historical Tables. Table 2.1, "Receipts by Source: 1934–2025."

<https://www.taxpolicycenter.org/briefing-book/what-are-sources-revenue-federal-government>

2020 Total U.S. Government Spending Breakdown

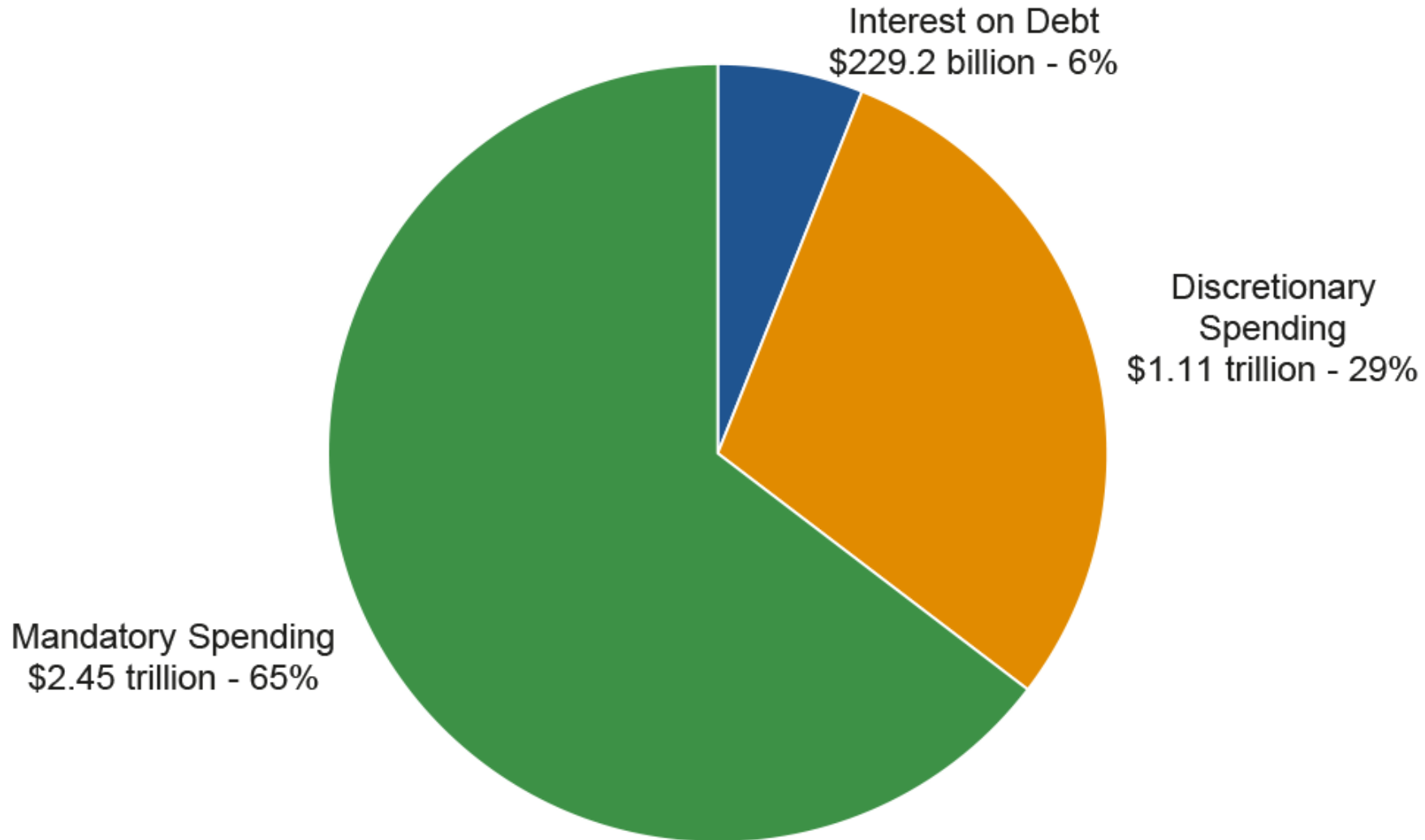
Spending Breakdown

	2018	2020
Health Care	23%	21%
Pensions/Soc Sec	19%	15%
Education	15%	13%
Welfare	6%	12%
Defense	12%	10%
Other	25%	29%

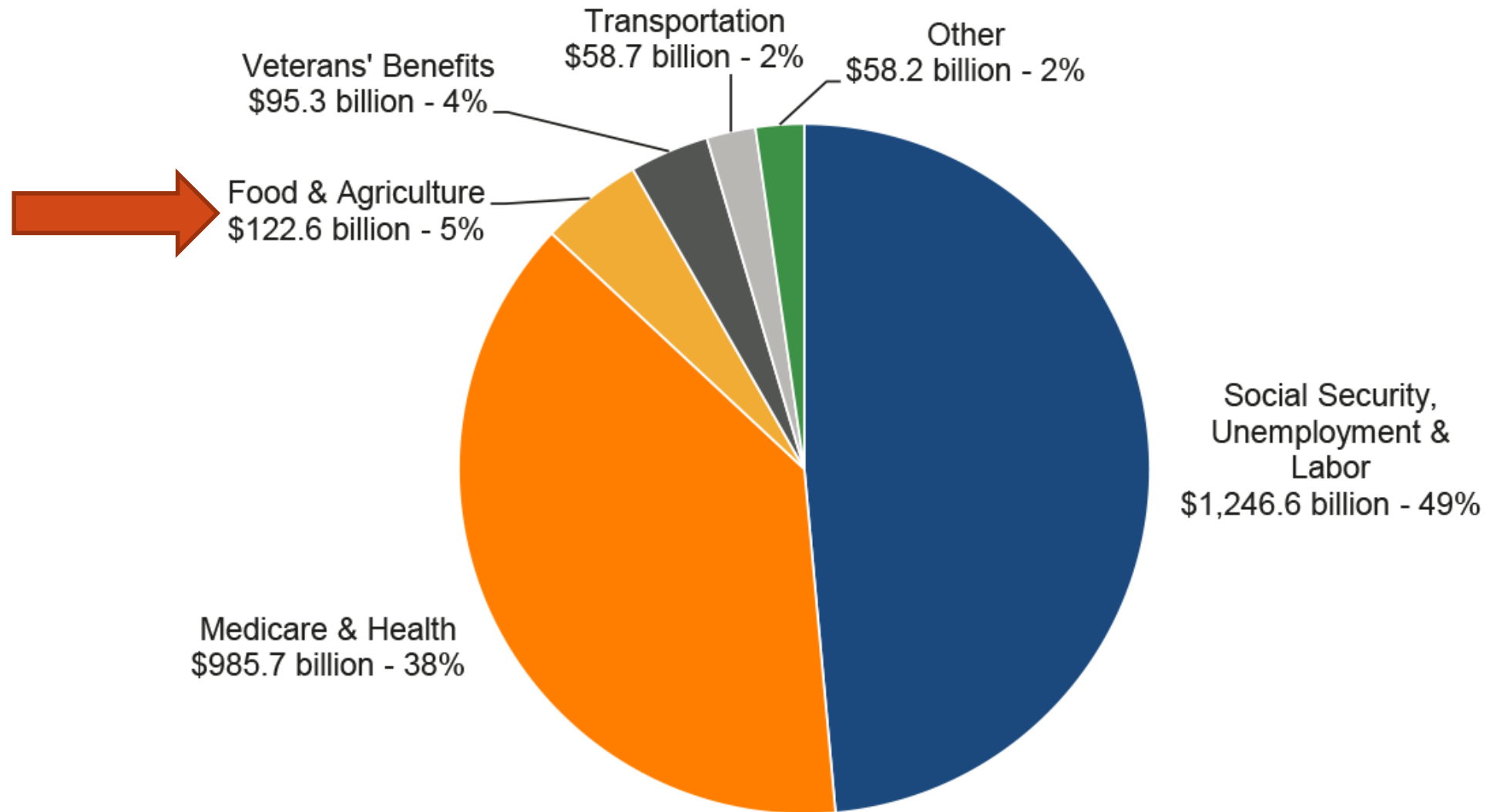


https://en.wikipedia.org/wiki/Government_spending_in_the_United_States

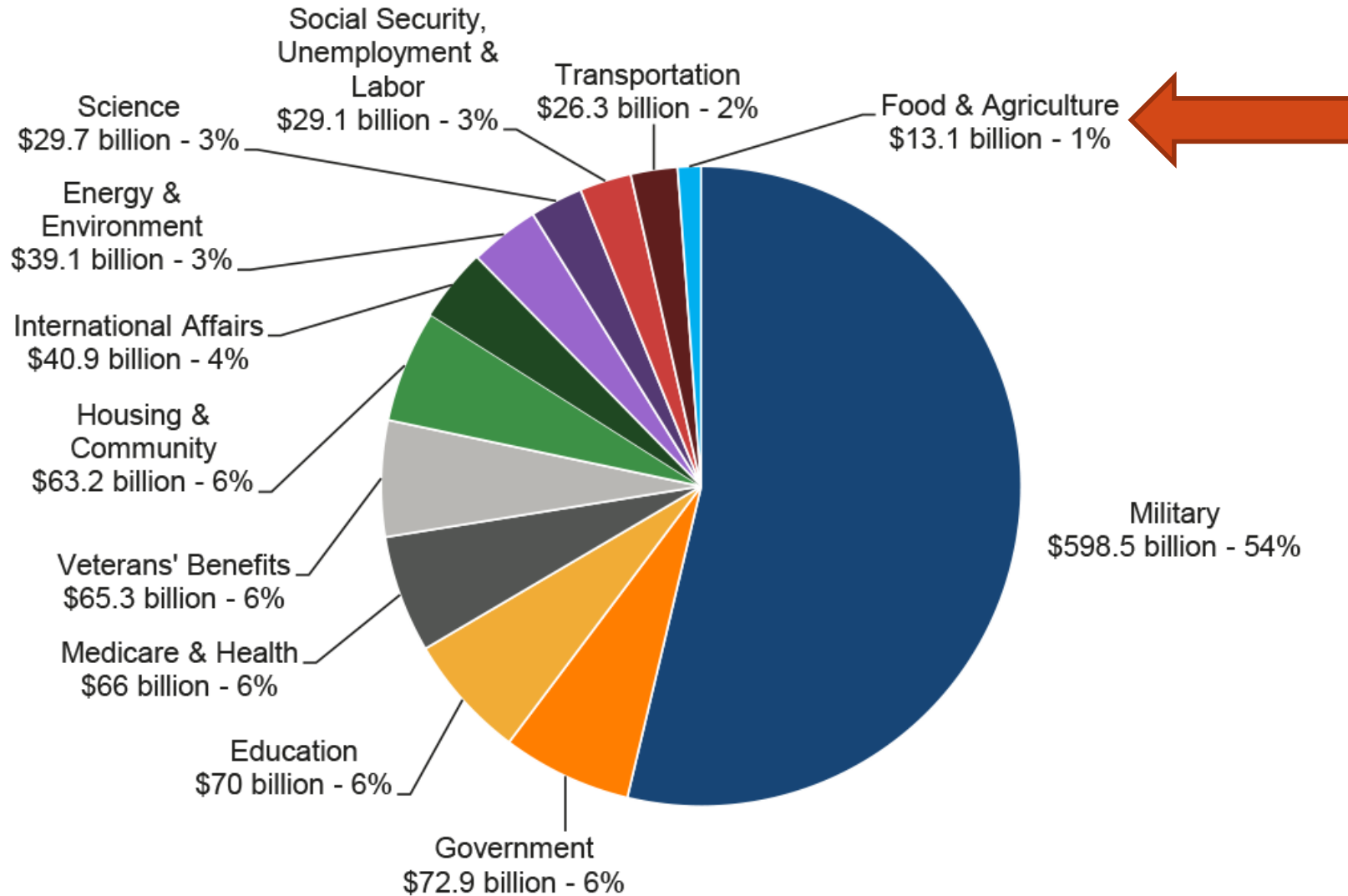
Mandatory versus Discretionary Spending in 2015



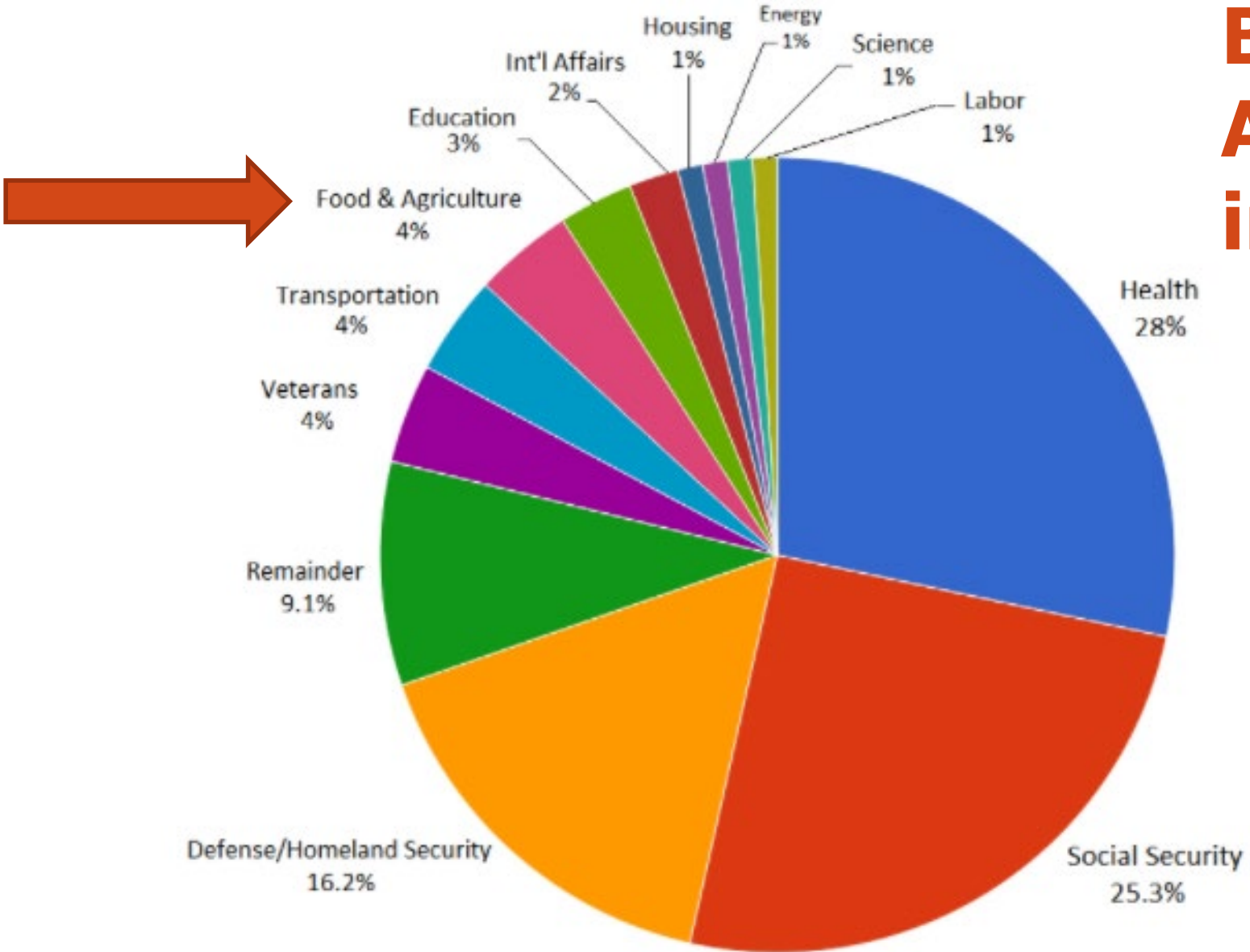
Breakdown of Mandatory Spending in 2015



Breakdown of Discretionary Spending in 2015

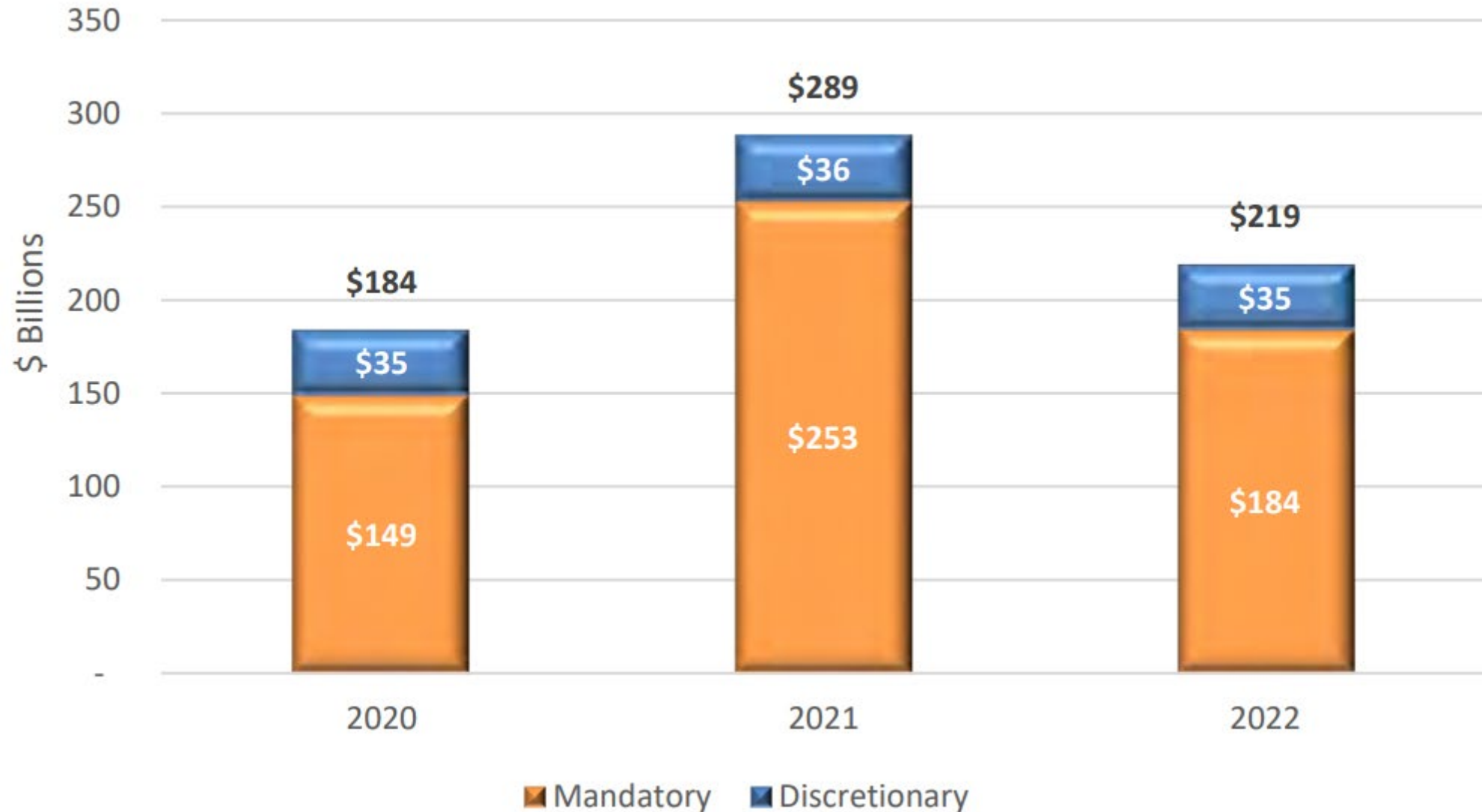


Breakdown of All Spending in 2015



<https://www.politifact.com/truth-o-meter/statements/2015/aug/17/facebook-posts/pie-chart-federal-spending-circulating-internet-mi/>

Most USDA Spending is Mandatory



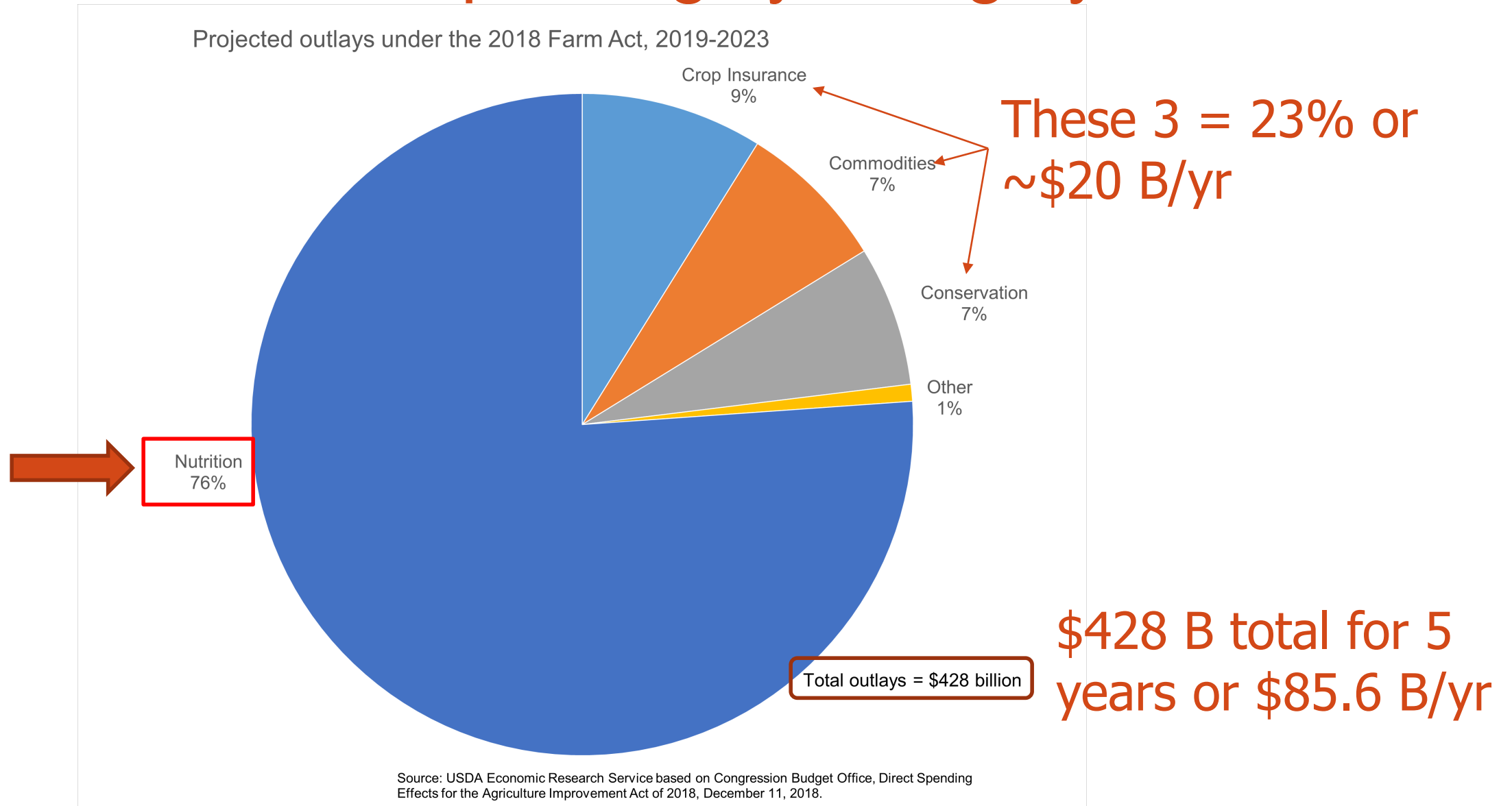
Farm Bill

- 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

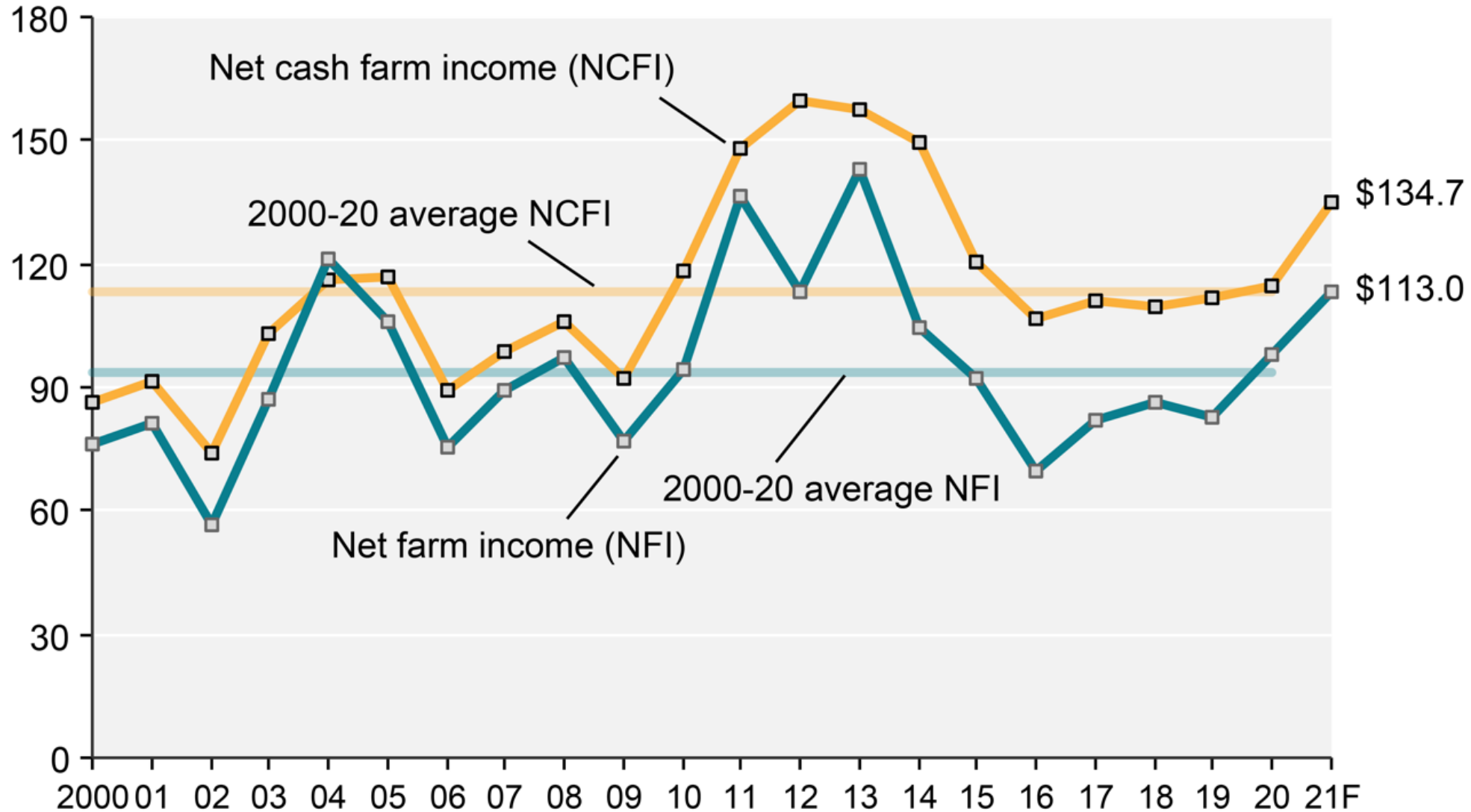


Farm Bill Spending

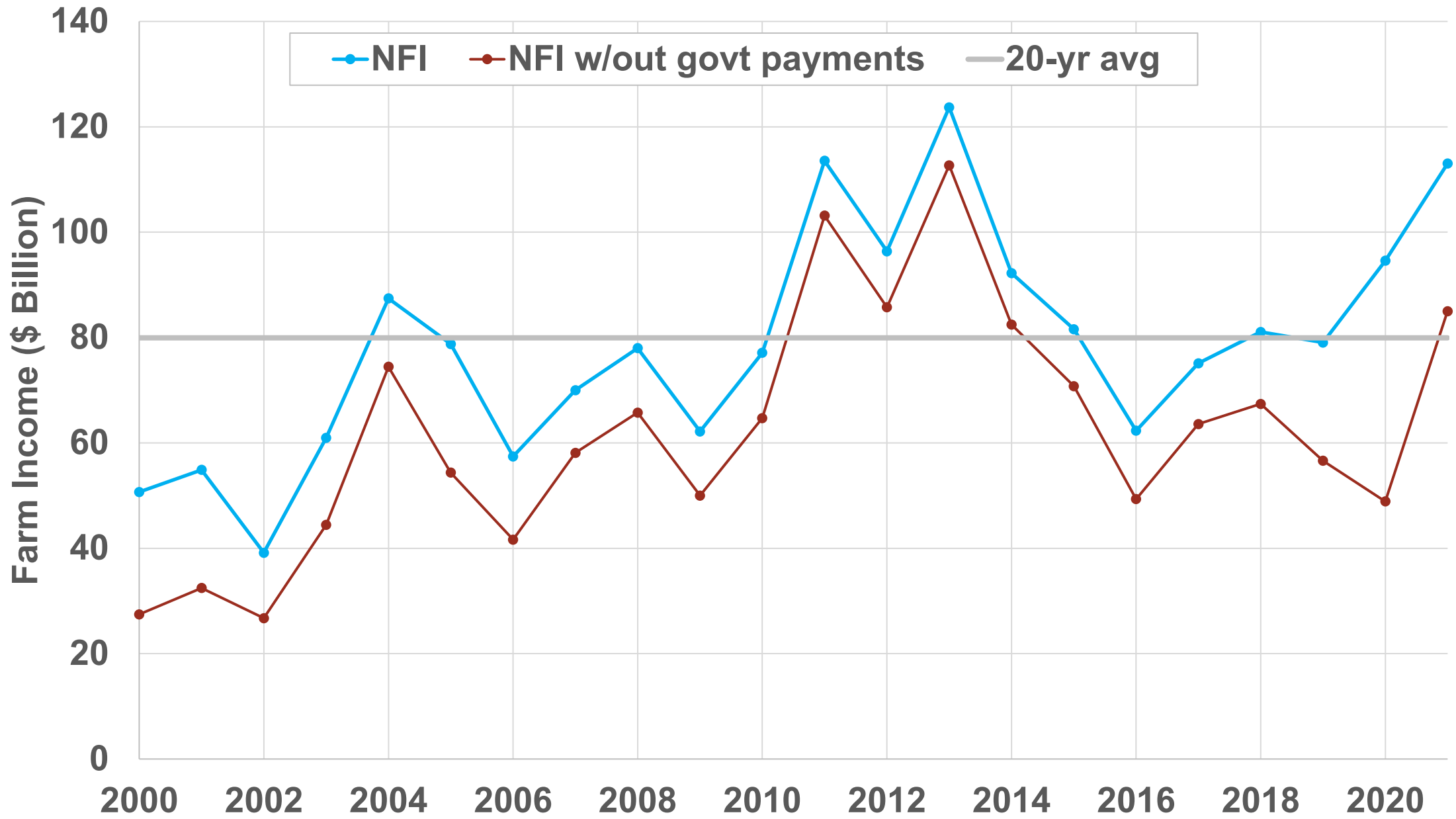
- Most USDA federal spending goes for food and nutrition programs
 - SNAP (Food Stamps), school lunch/breakfast, etc.
- Payments to Farmers
 - Crop Insurance, Commodity Support, Disaster Assistance and Conservation Payments
 - First: We focus on Commodity Support
 - Second: We focus on Crop Insurance

U.S. net farm income and net cash farm income, 2000–21F

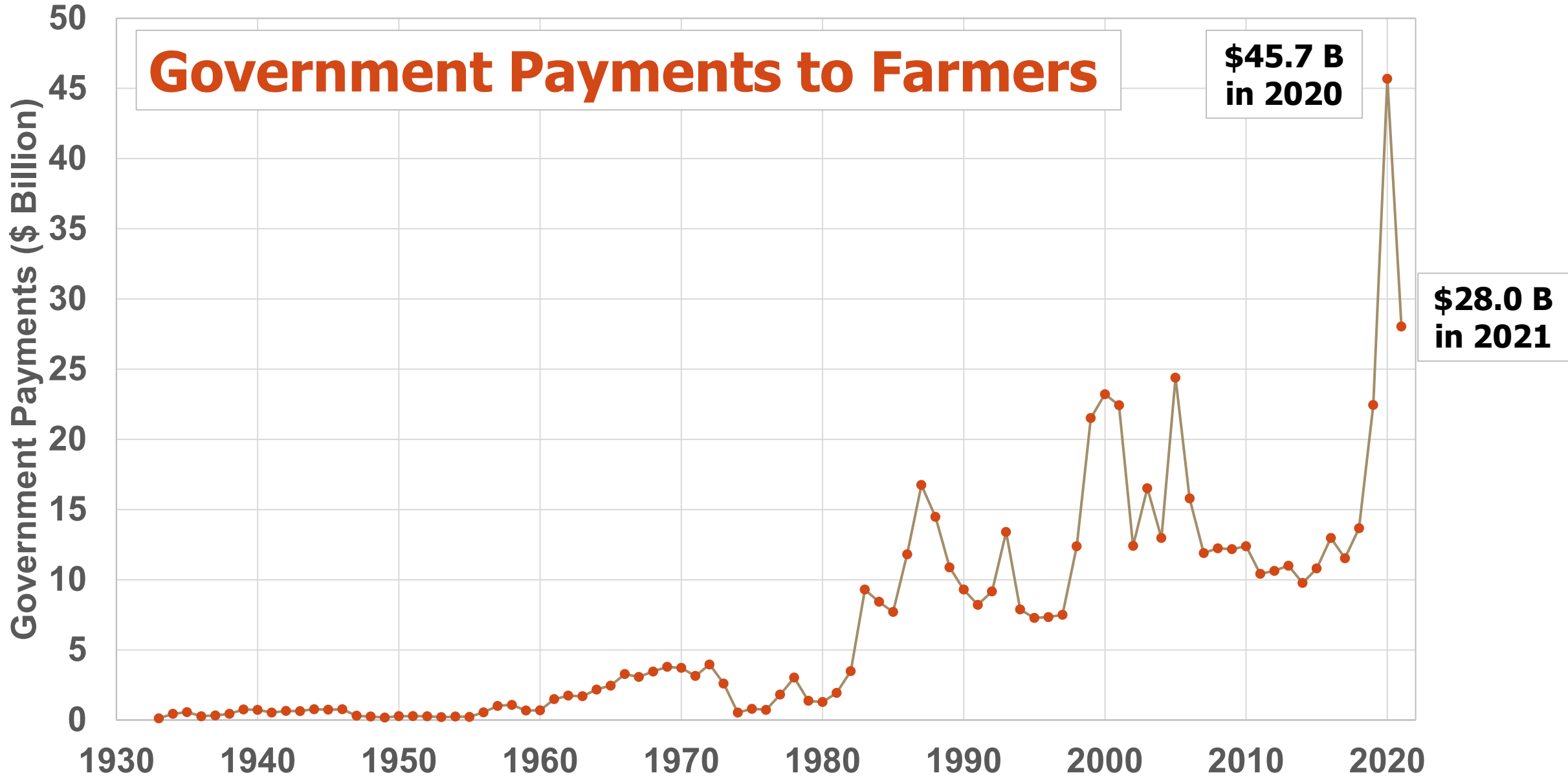
\$ billion (2021)

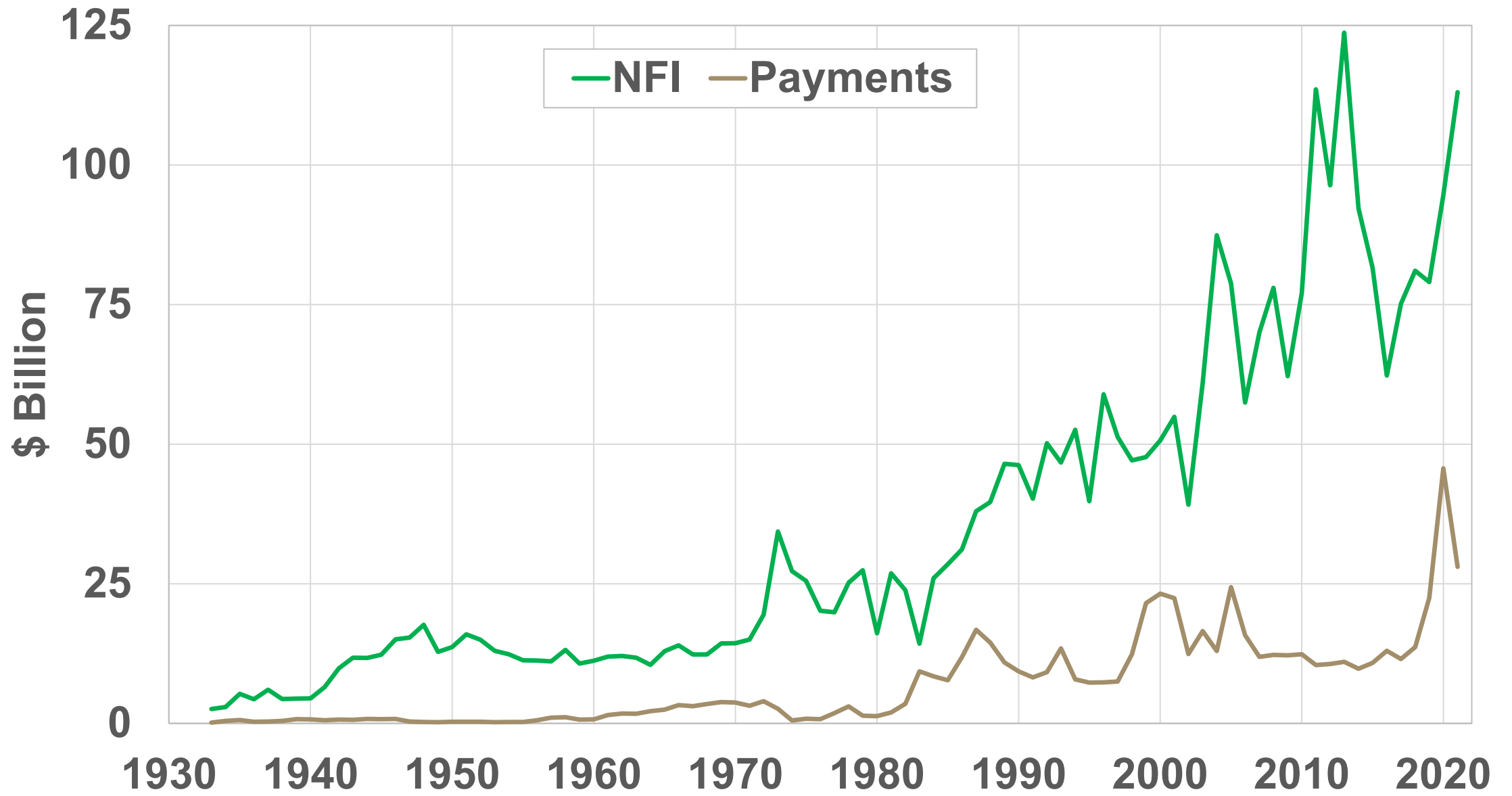


Source: USDA
ERS Sep 2, 2021

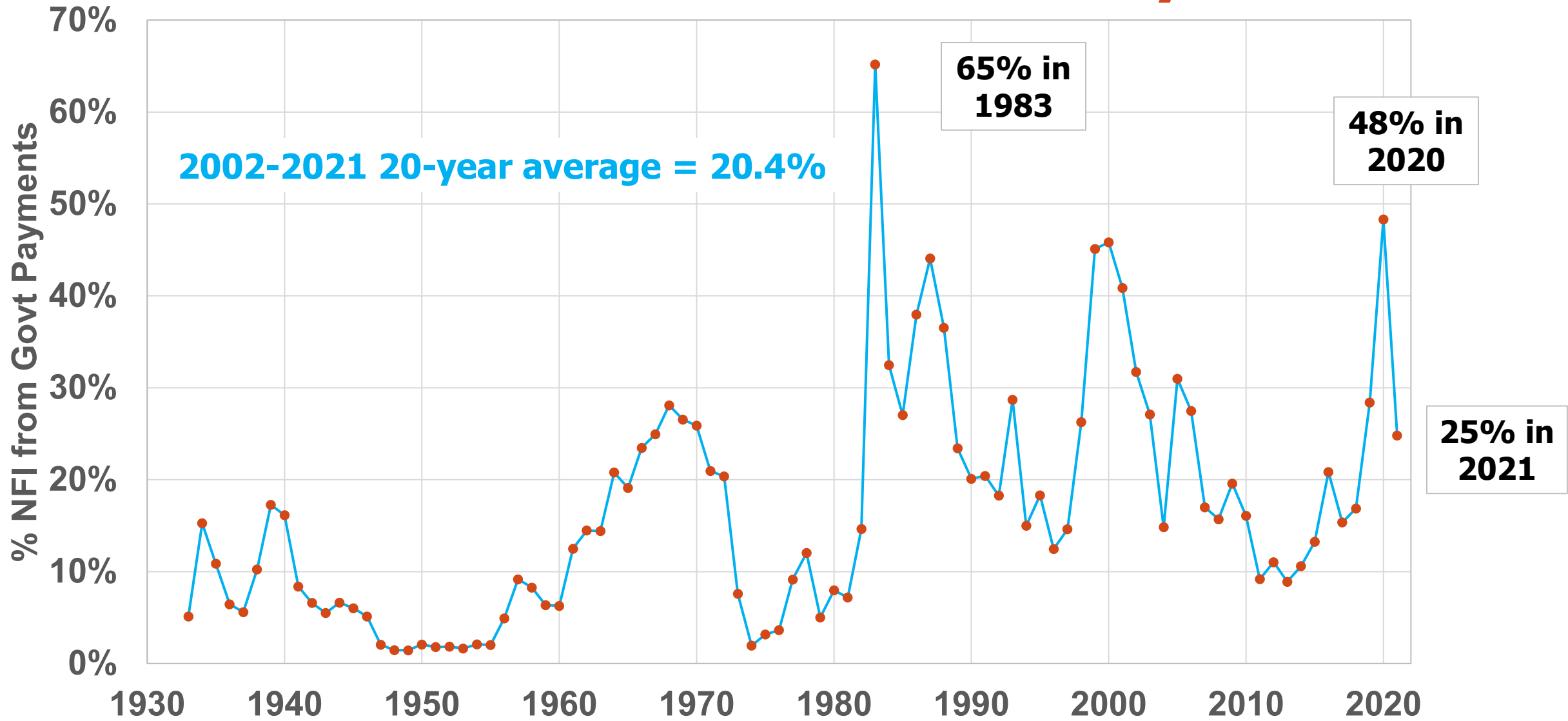


Government Payments to Farmers

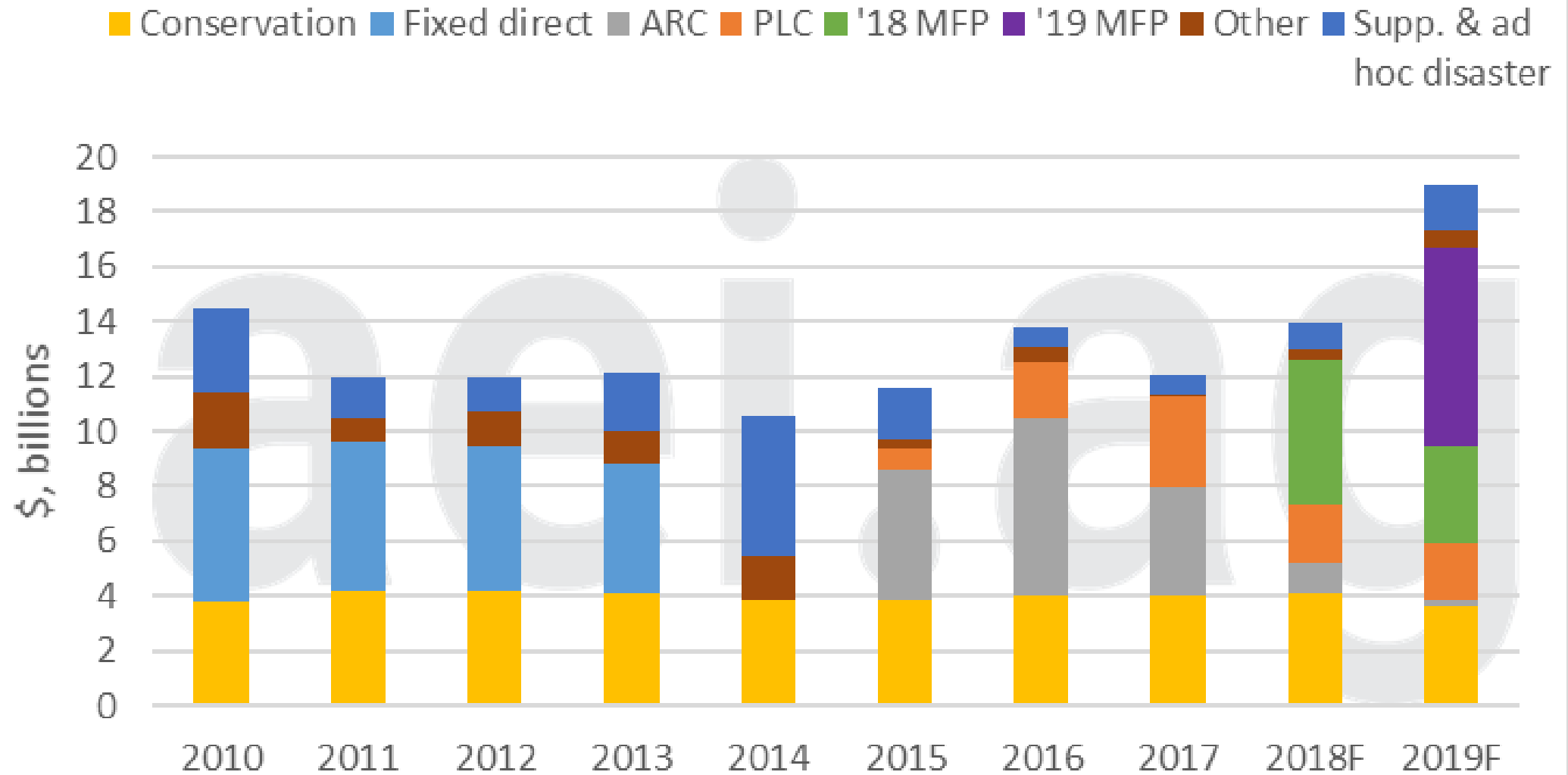




% NFI from Government Payments

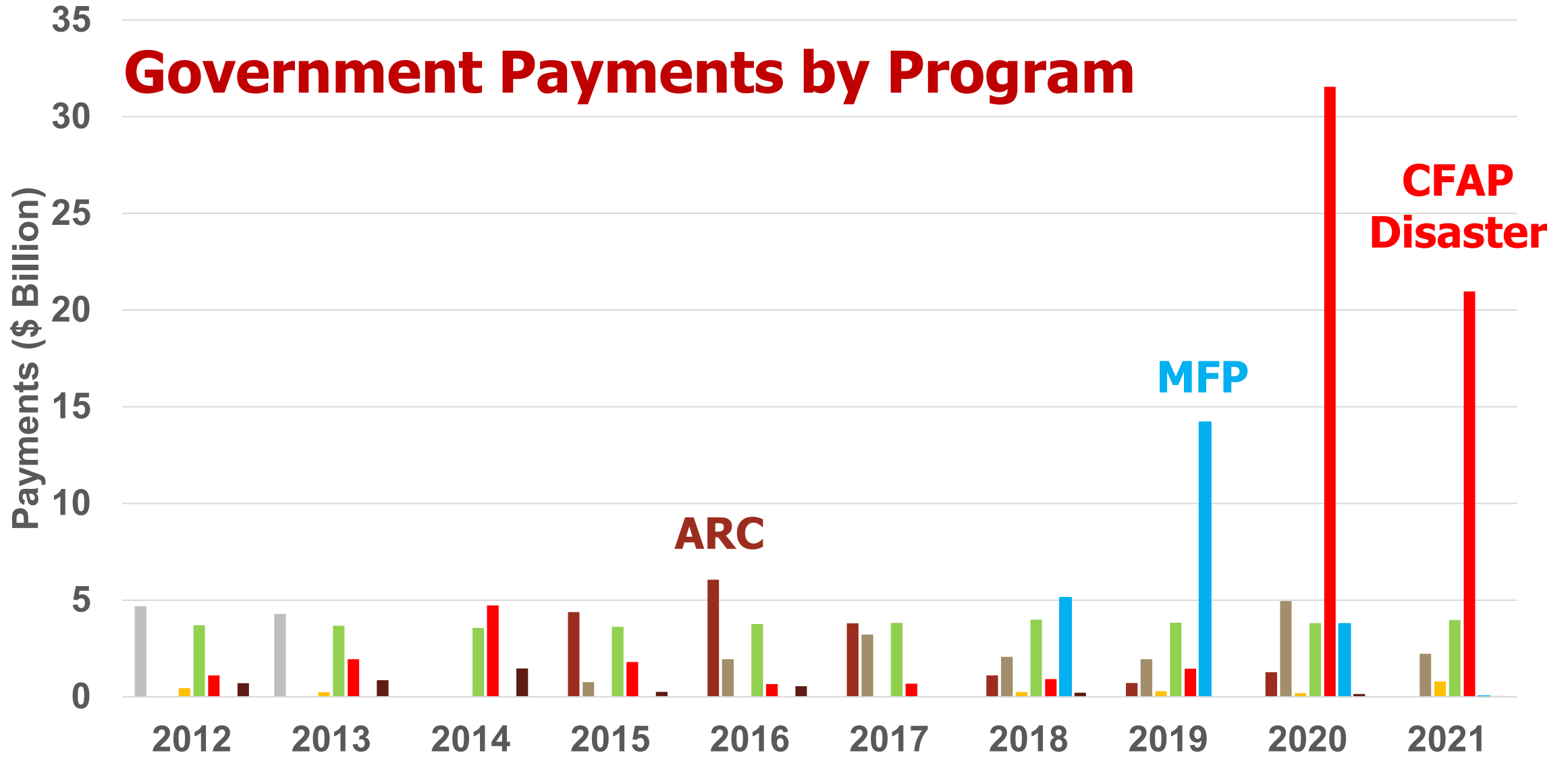


Form of Direct Farm Payments



DP
 ARC
 PLC
 Dairy
 Conservation
 Ad Hoc Disaster
 MFP
 All Other

Government Payments by Program



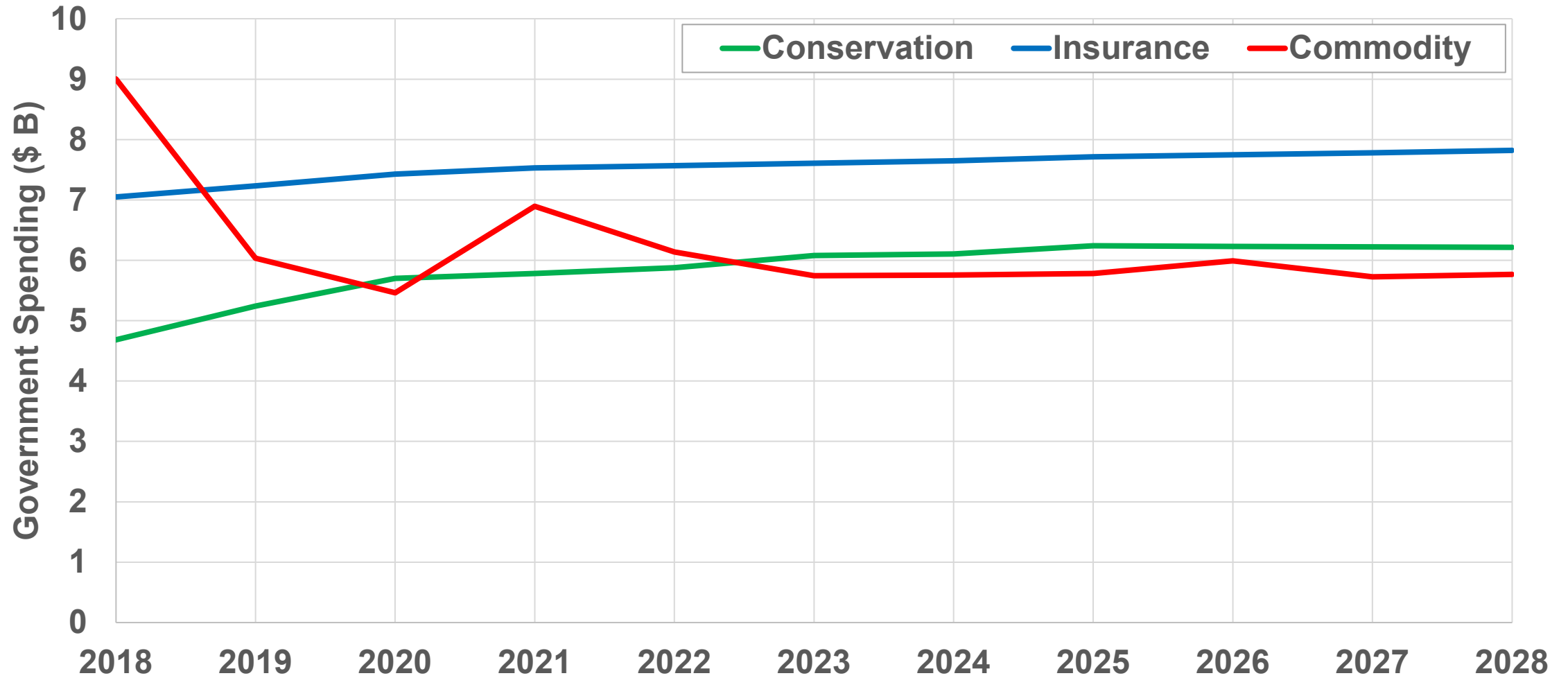
Federal Agricultural Support Programs

- 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

- We will not cover Ag Conservation Programs
- Many programs <http://www.nrcs.usda.gov/programs/>
- Conservation Reserve Program (CRP)
- Environmental Quality Incentives Program (EQIP)
- Congressional Research Service: Agricultural Conservation: A Guide to Programs (Aug 2020)
<https://crsreports.congress.gov/product/pdf/R/R40763>

CBO Projected USDA Spending



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
 - Almost 4% of total federal spending
 - 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