



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

**\$1.43 Trillion
in Spending
for Q4 2021**

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

☆ Federal government expenditures: Budget outlays (M318191Q027N8EA)

DOWNLOAD

Observation:
Q4 2021: 1,428.217 (+ more)
Updated: Oct 27, 2022

Units:
Billions of Dollars,
Not Seasonally Adjusted

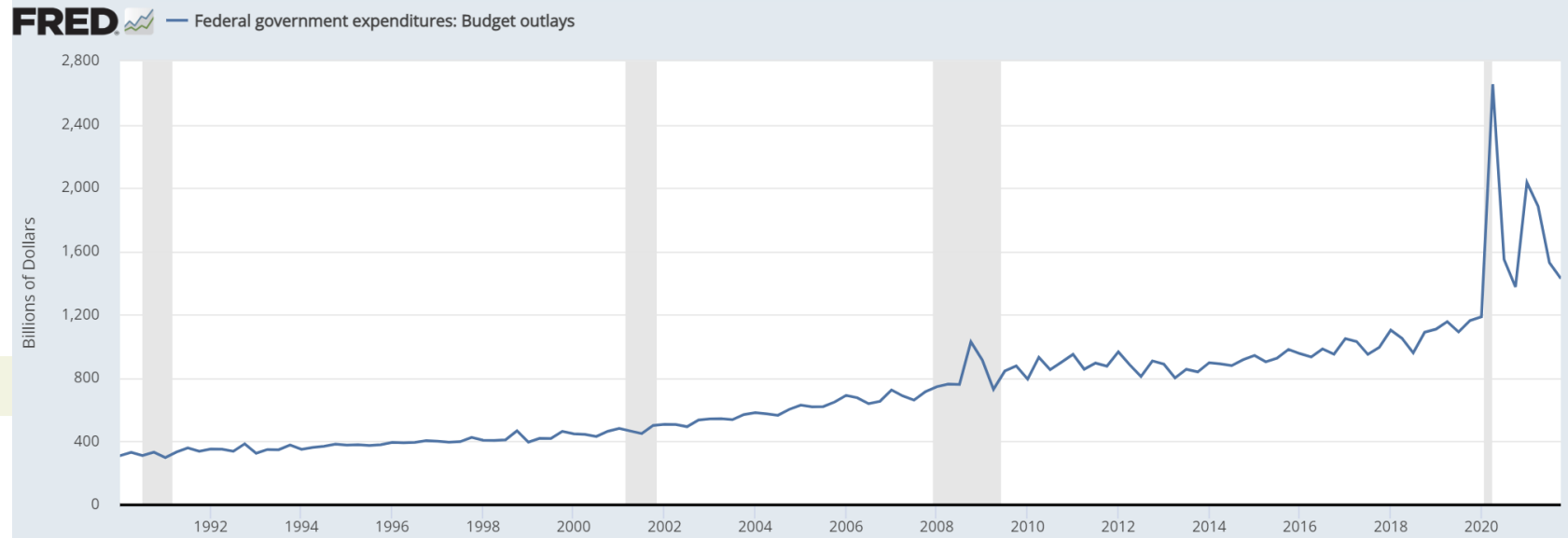
Frequency:
Quarterly

1Y | 5Y | 10Y | Max

1990-01-01

to 2021-10-01

EDIT GRAPH

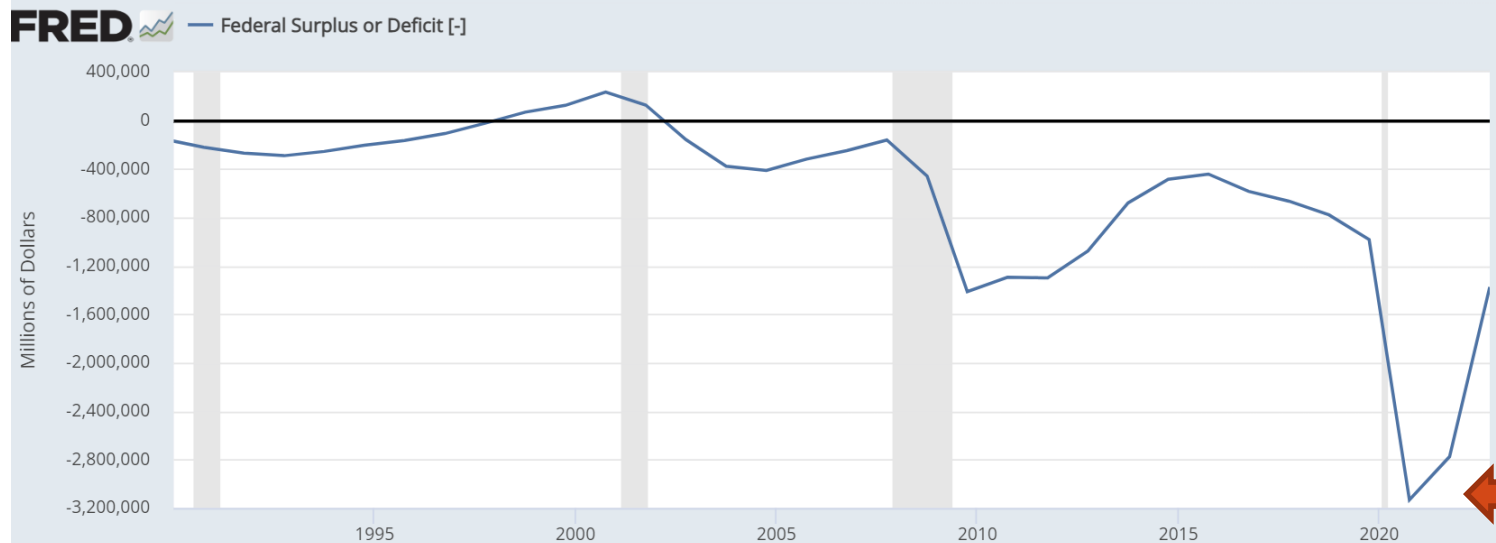


☆ Federal Surplus or Deficit [-] (FYFSD)

Observation:
2022: -1,375,389 (+ more)
Updated: Oct 21, 2022

Units:
Millions of Dollars,
Not Seasonally Adjusted

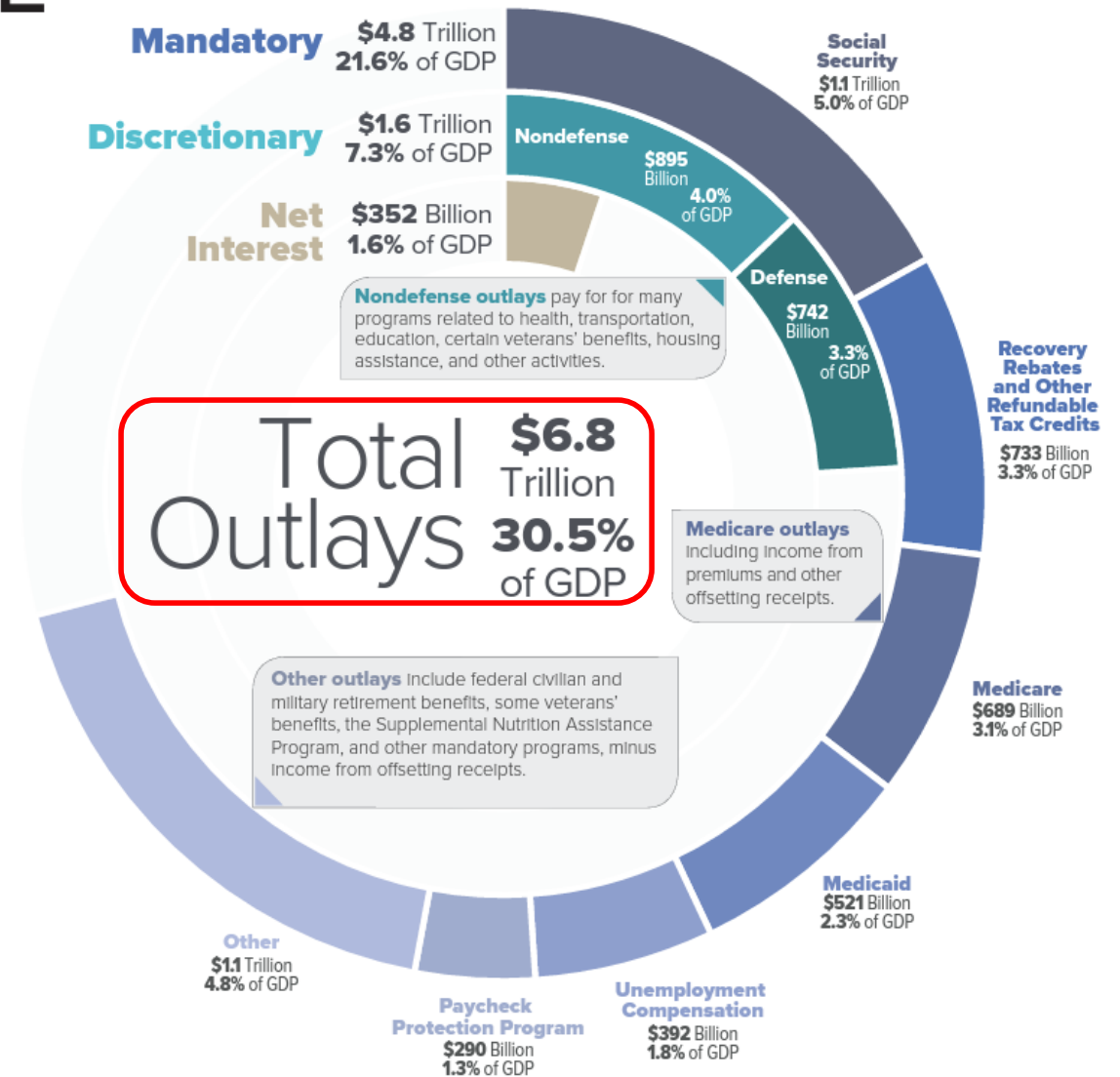
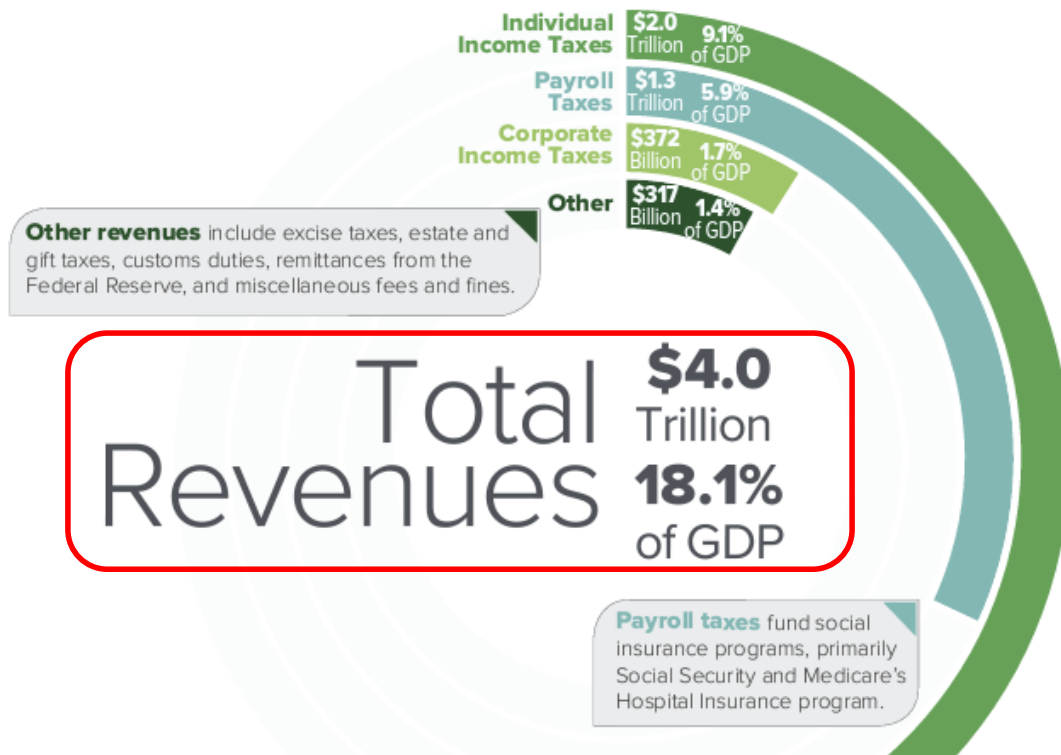
Frequency:
Annual,
Fiscal Year



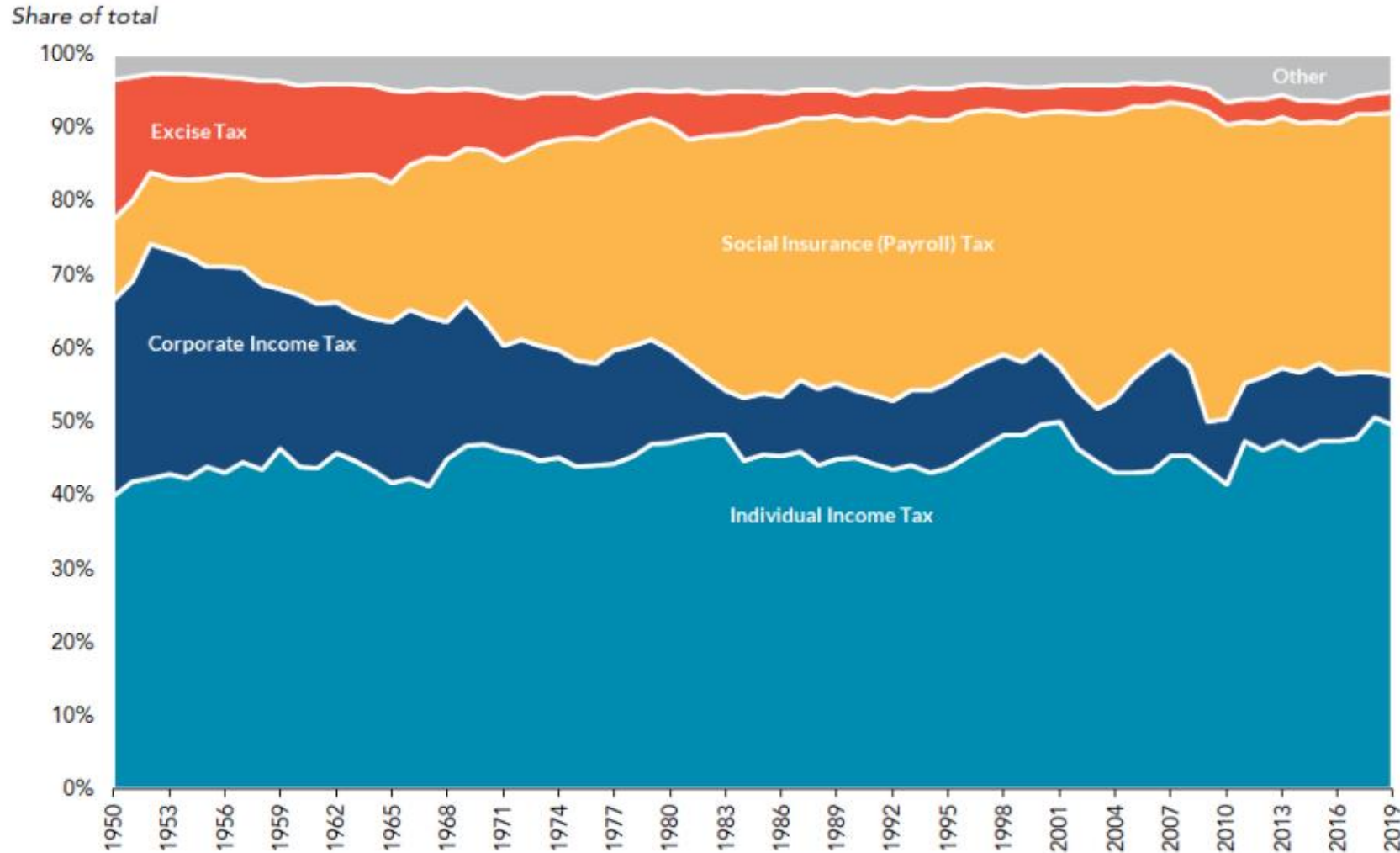
**\$1.375 Trillion in
Deficit for 2022**

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

THE FEDERAL BUDGET IN FISCAL YEAR 2021



Historically, where does the federal government get its money?



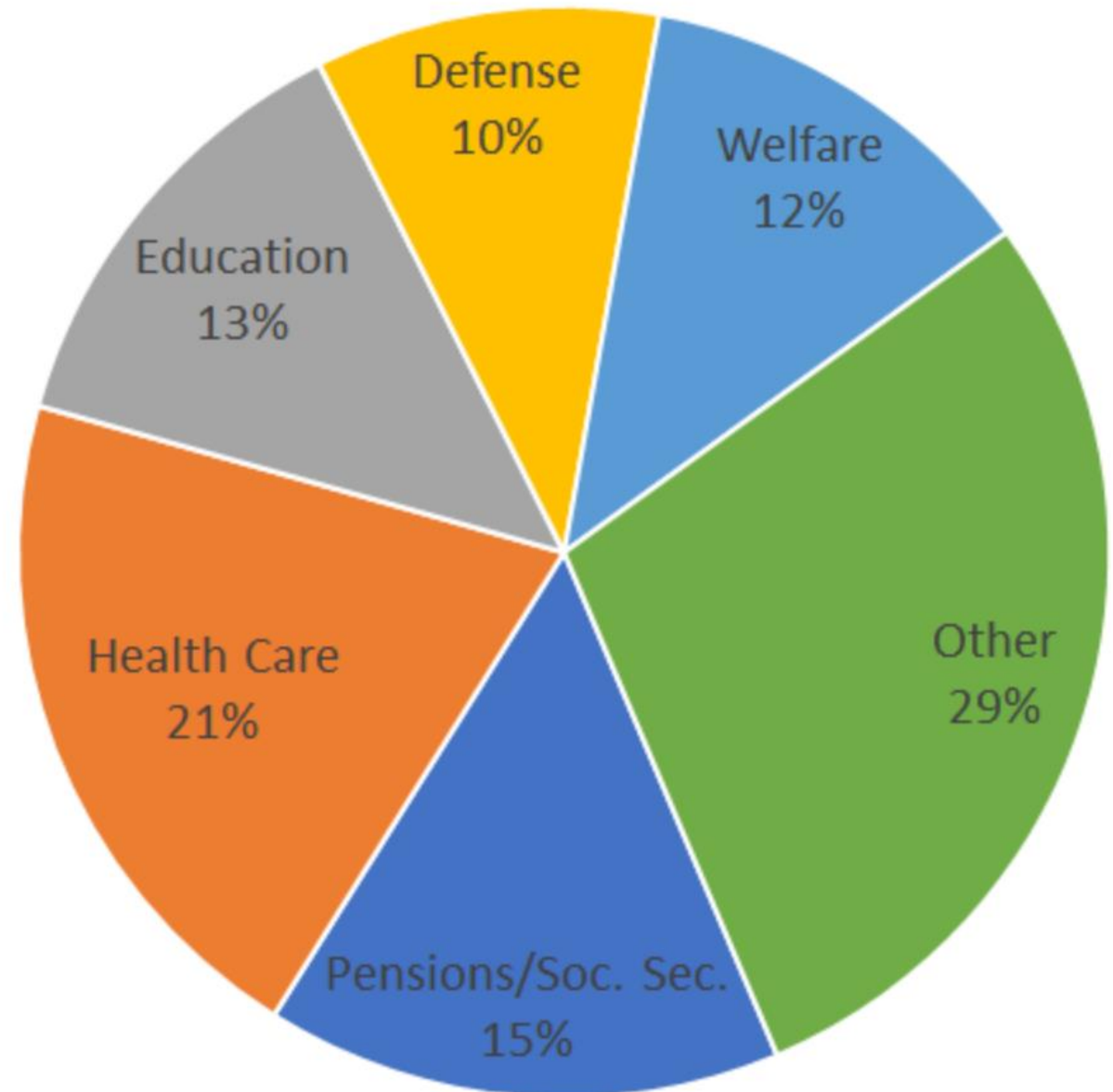
Source: Office of Management and Budget. Historical Tables. Table 2.1, "Receipts by Source: 1934–2025."

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

Spending Breakdown

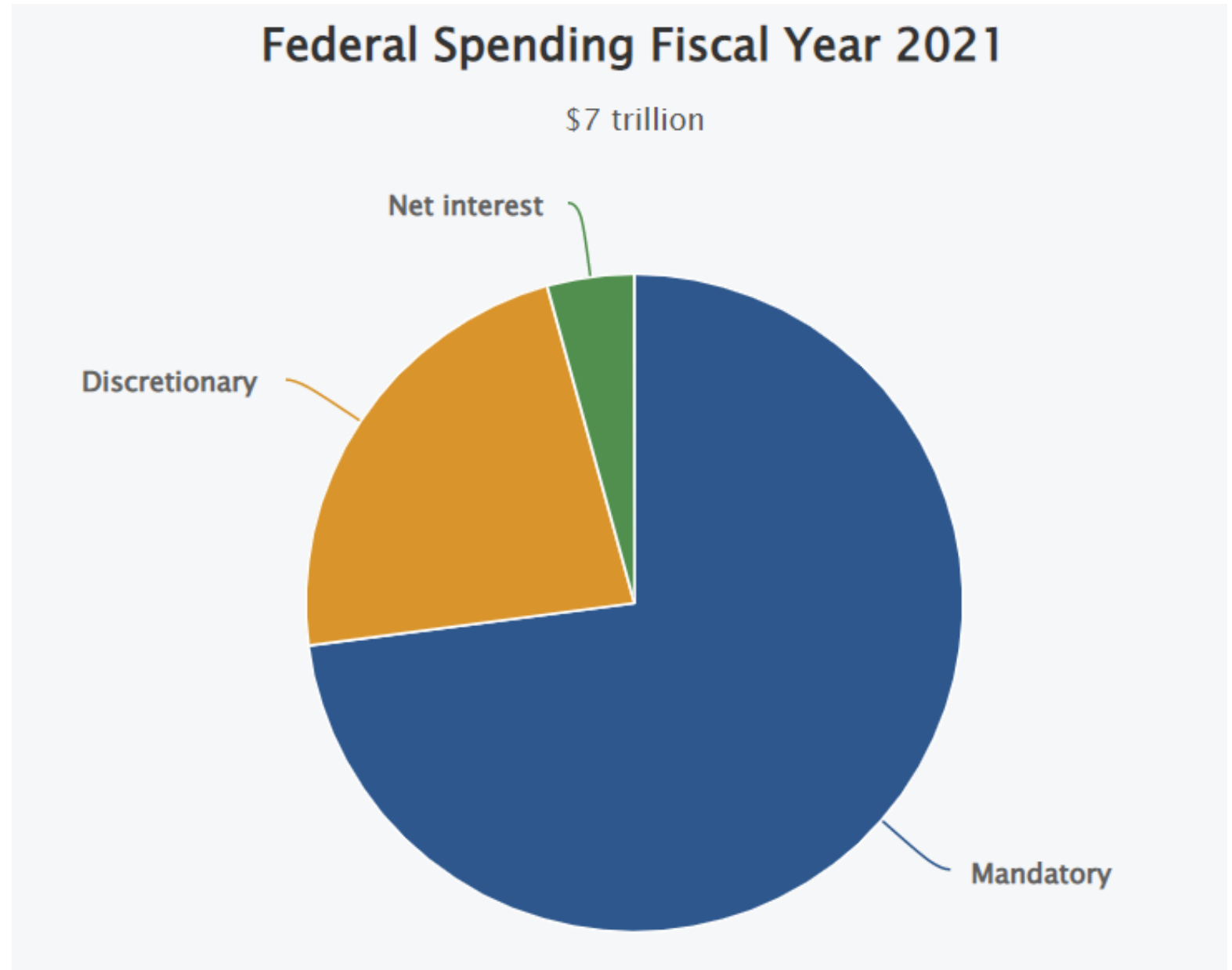
2020 Total U.S. Government Spending Breakdown

	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

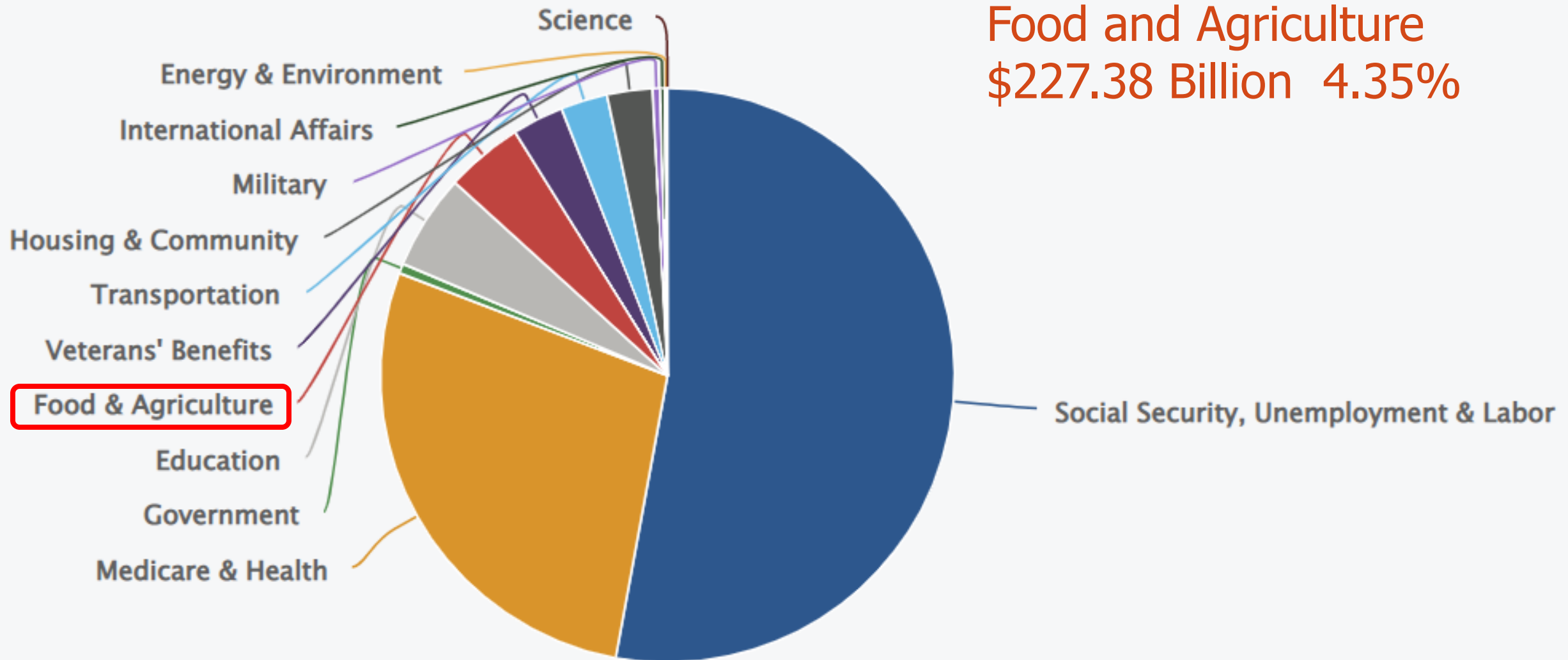
Mandatory versus Discretionary Spending in 2021



<https://www.nationalpriorities.org/budget-basics/federal-budget-101/spending/>

Mandatory Federal Spending Fiscal Year 2021

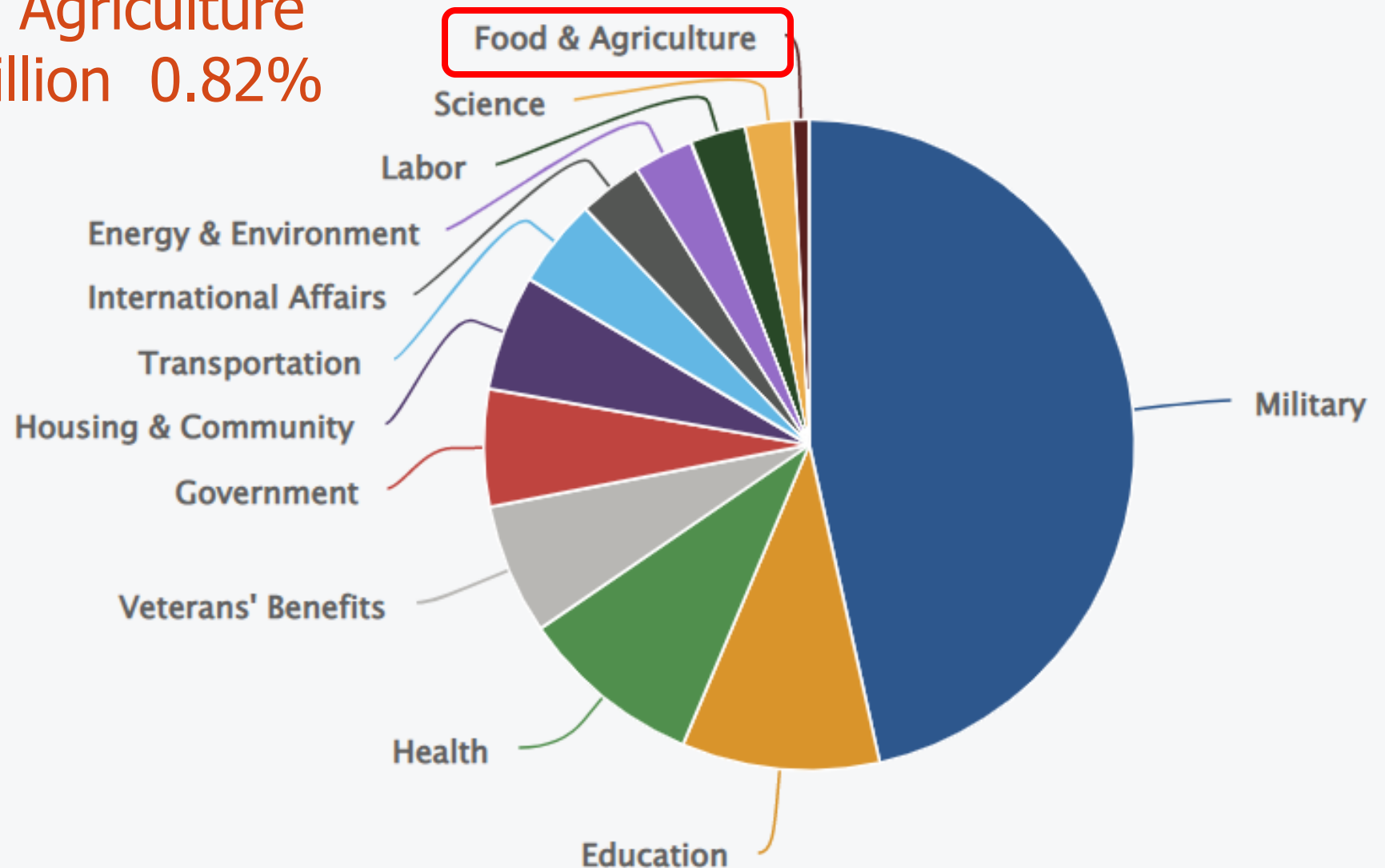
\$5.2 Trillion



Federal Discretionary Spending Fiscal Year 2021

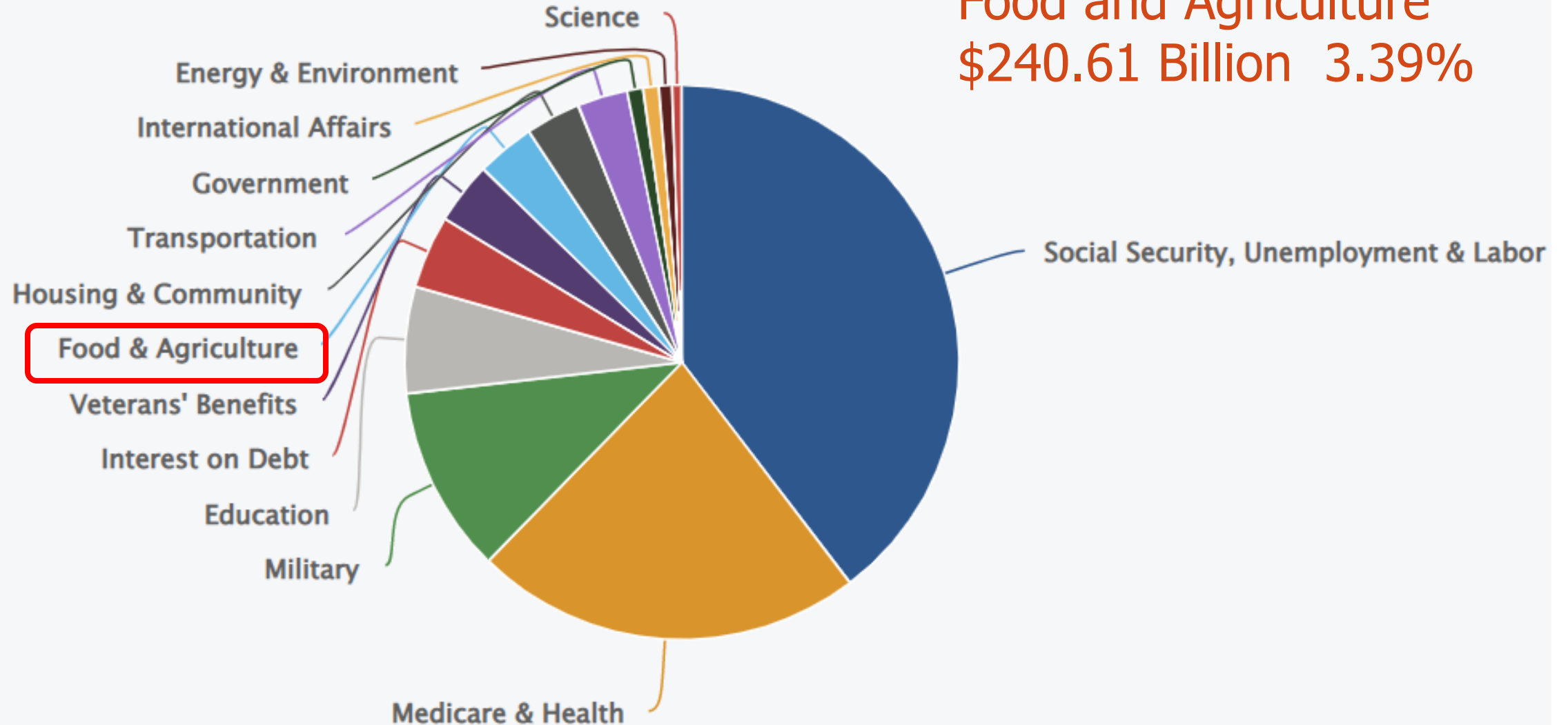
\$1.6 Trillion

Food and Agriculture
\$13.23 Billion 0.82%

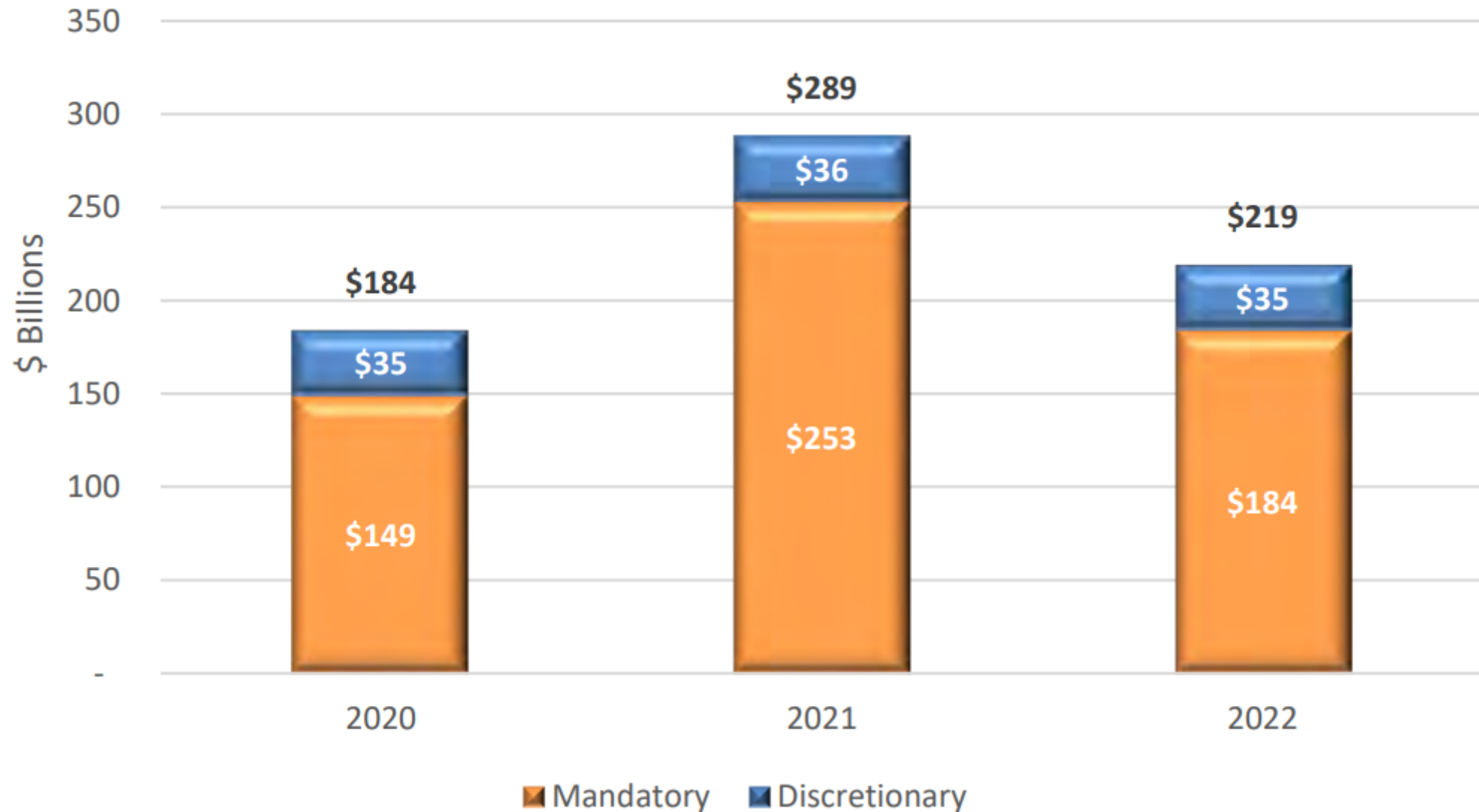


Total Federal Spending Fiscal Year 2021

\$7 Trillion



Most USDA Spending is Mandatory



<https://www.usda.gov/sites/default/files/documents/2022-budget-summary.pdf>

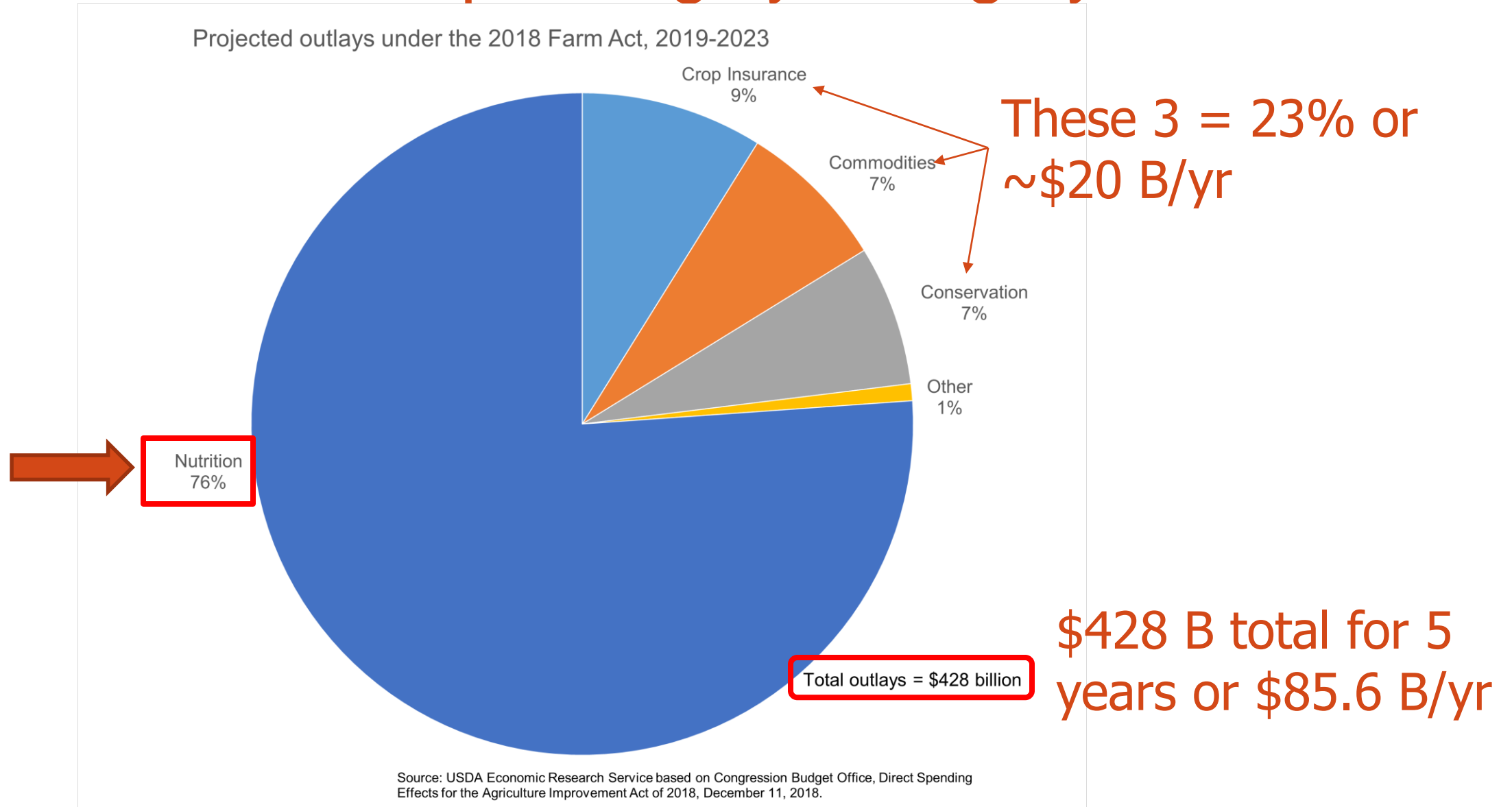
Farm Bill

- 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>

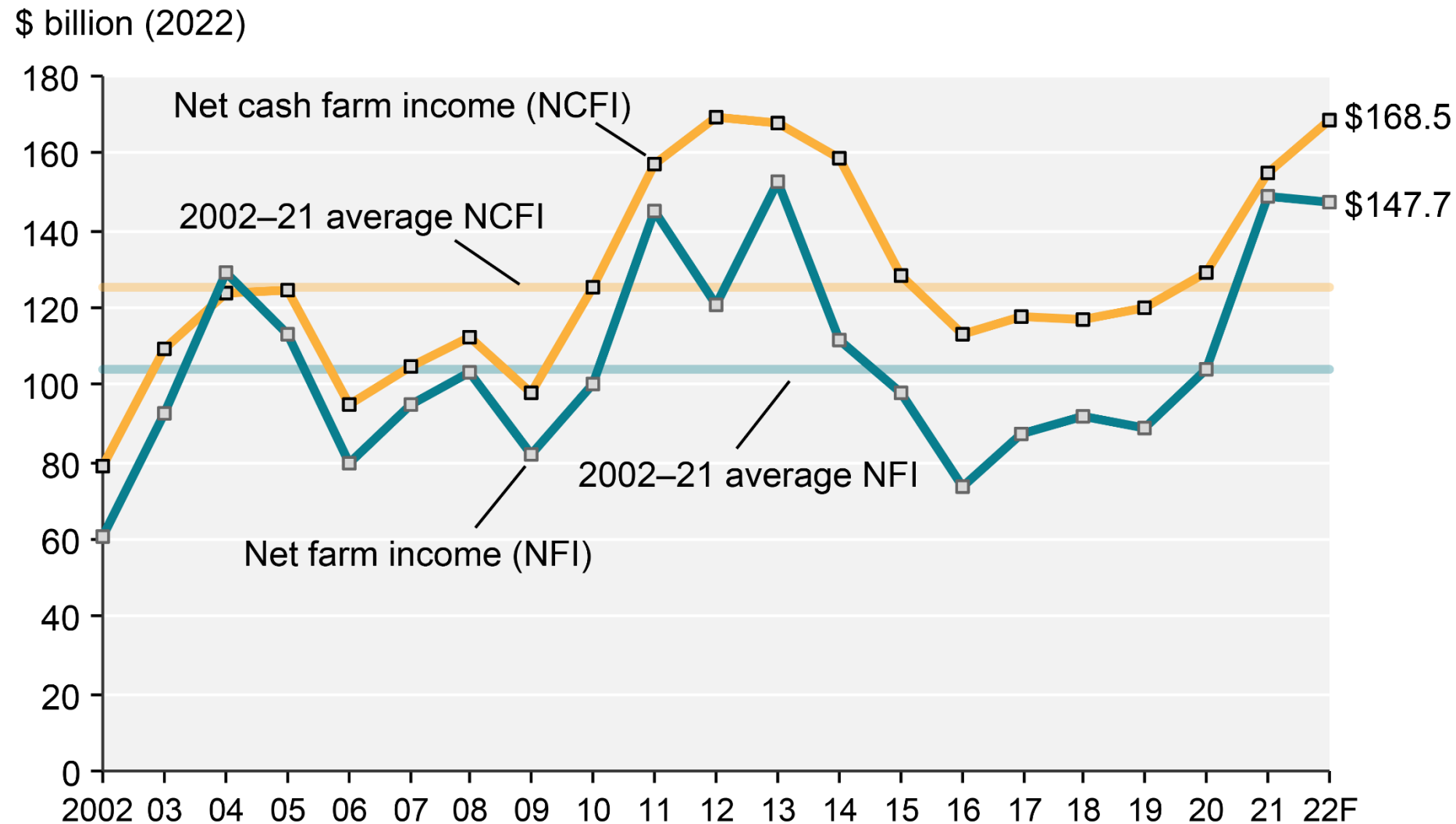
Farm Bill Spending by Category



Farm Bill Spending

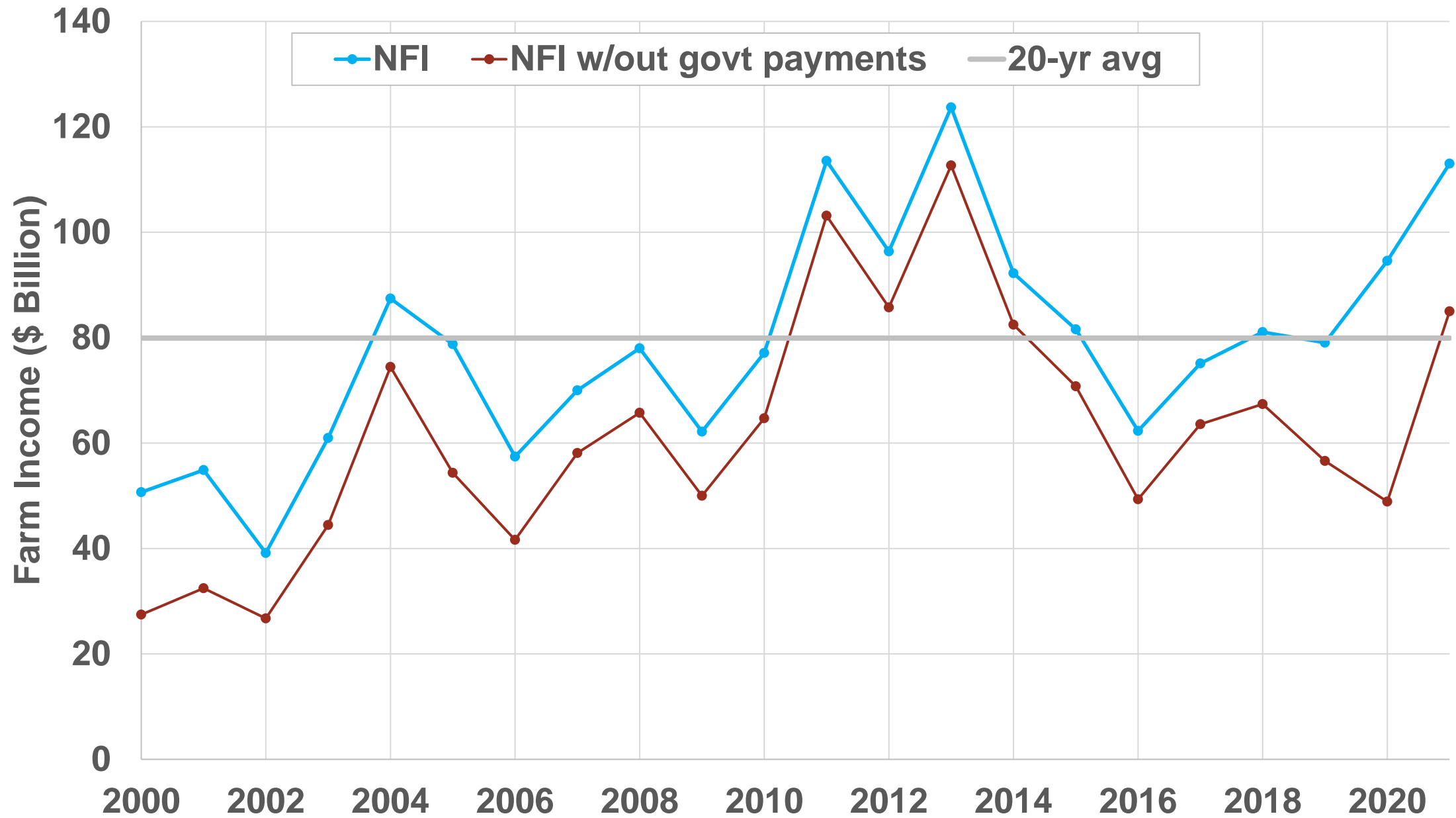
- Most USDA federal spending goes for food and nutrition programs
 - SNAP (Food Stamps), school lunch/breakfast, etc.
- Payments to Farmers
 - Crop Insurance, Commodity Support, Disaster Assistance and Conservation Payments
 - First: We focus on Commodity Support
 - Second: We focus on Crop Insurance

U.S. net farm income and net cash farm income, inflation adjusted, 2002–22F

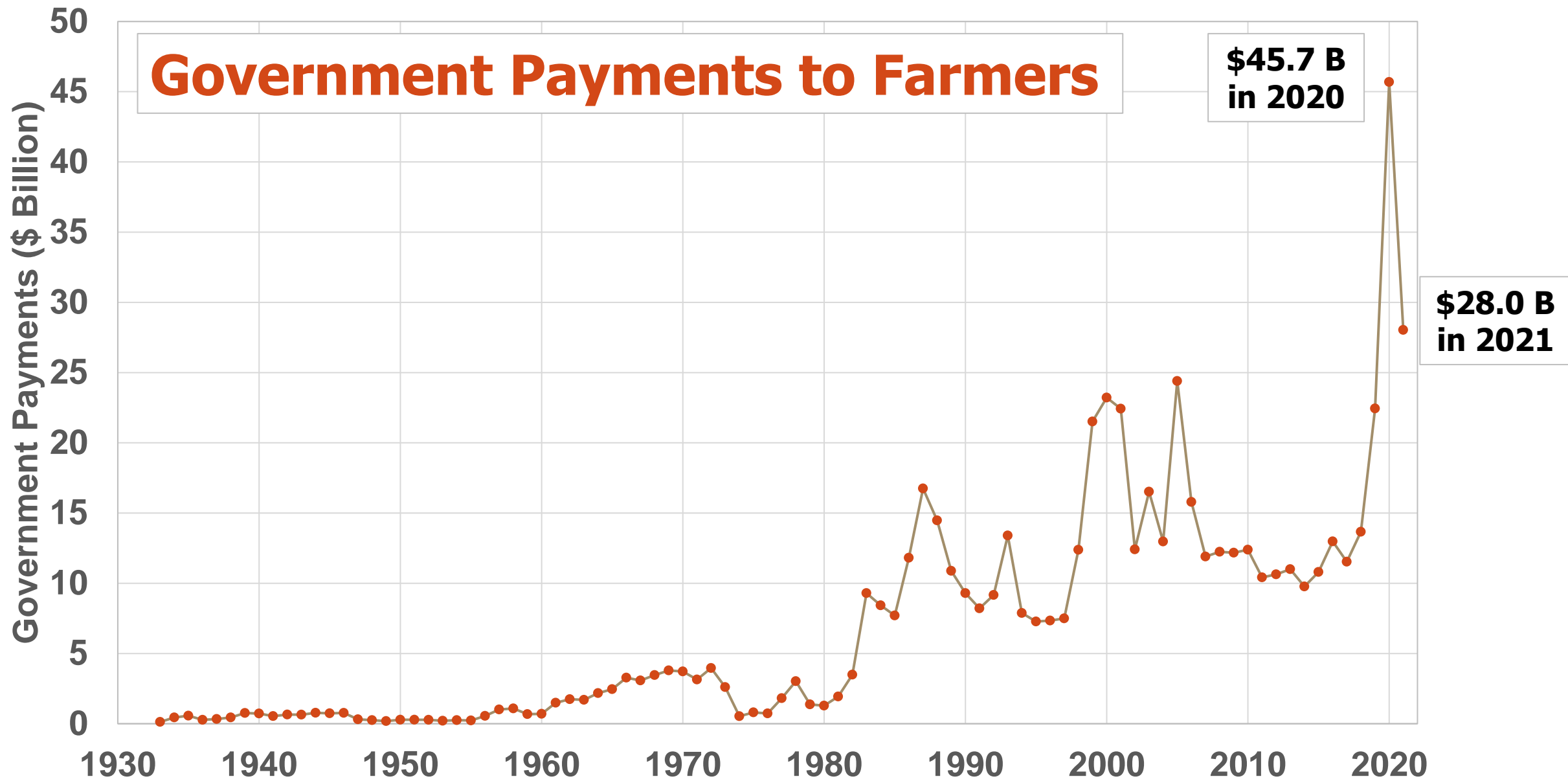


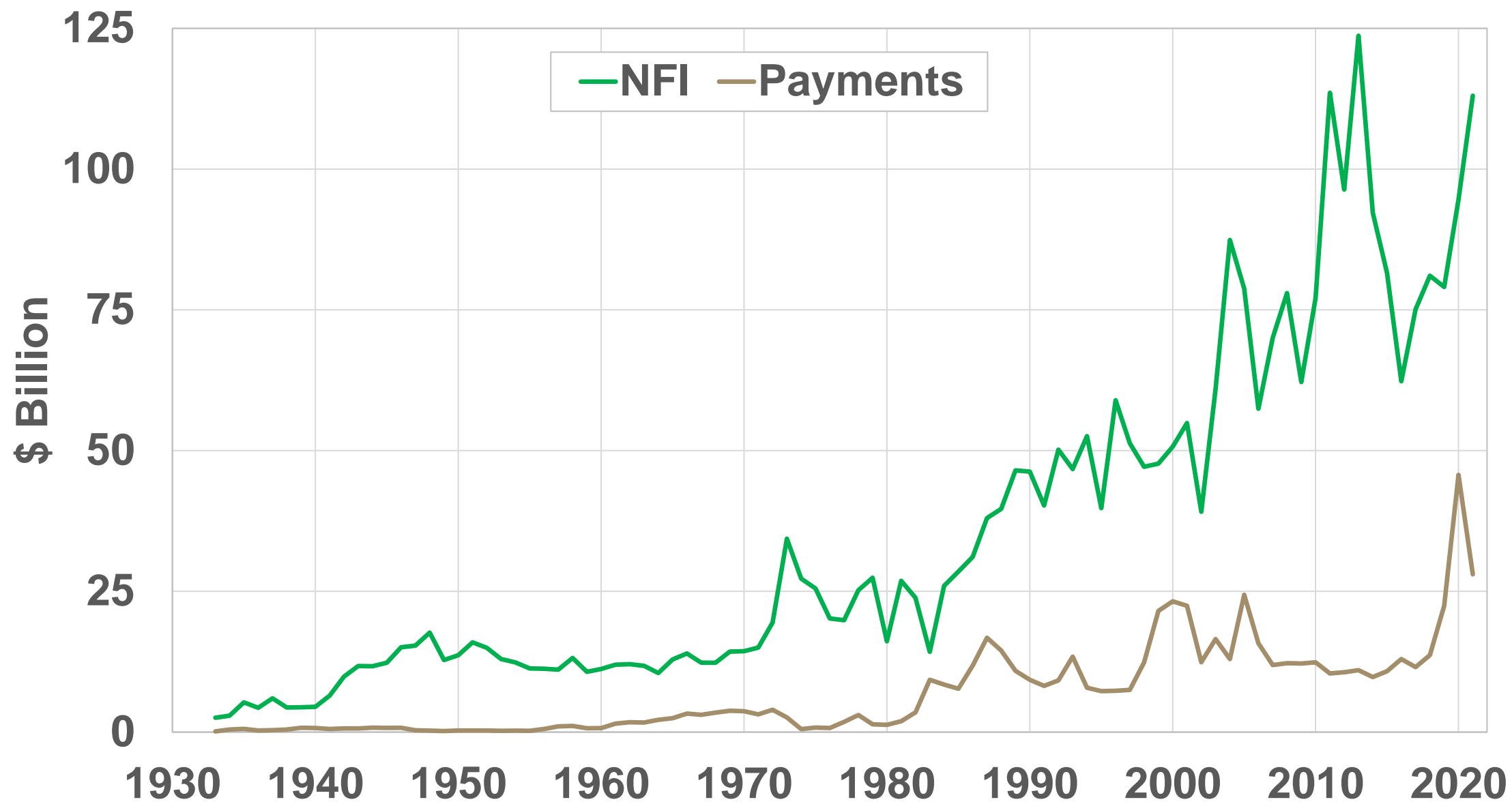
Note: F = forecast. Values are adjusted for inflation using the U.S. Bureau of Economic Analysis Gross Domestic Product Price Index (BEA API series code: A191RG) rebased to 2022=100.

Source: USDA
ERS Sep 2, 2022

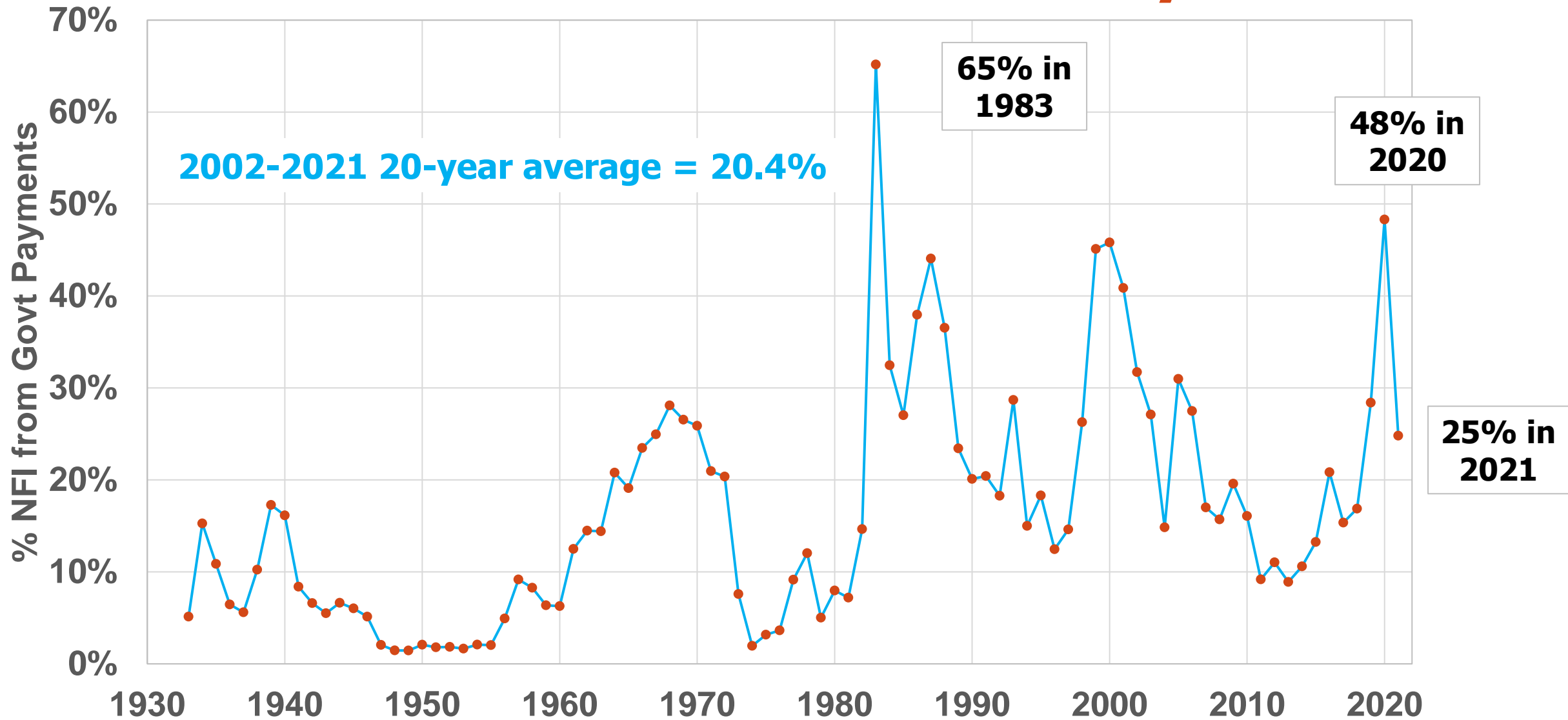


Government Payments to Farmers

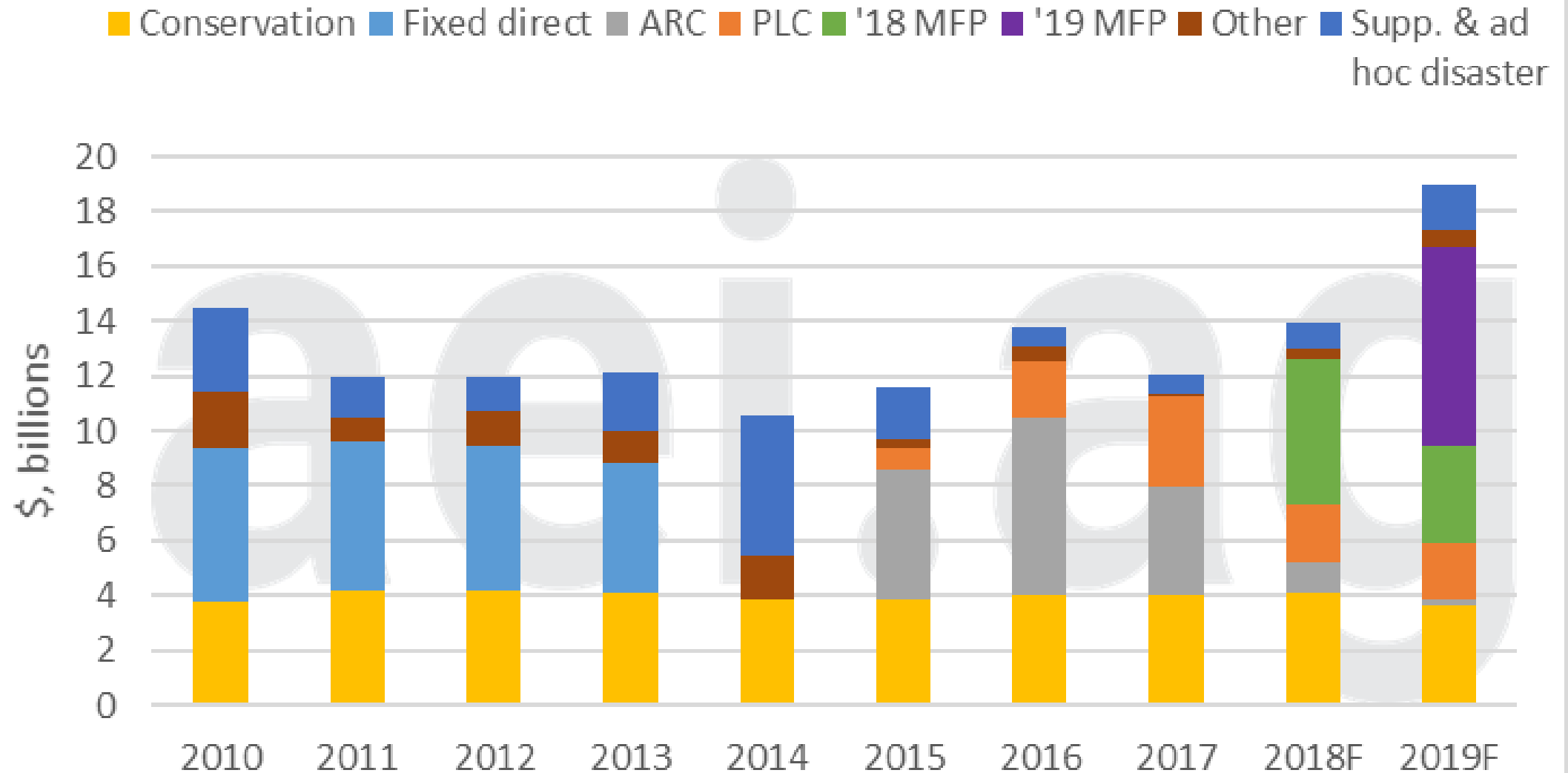




% NFI from Government Payments

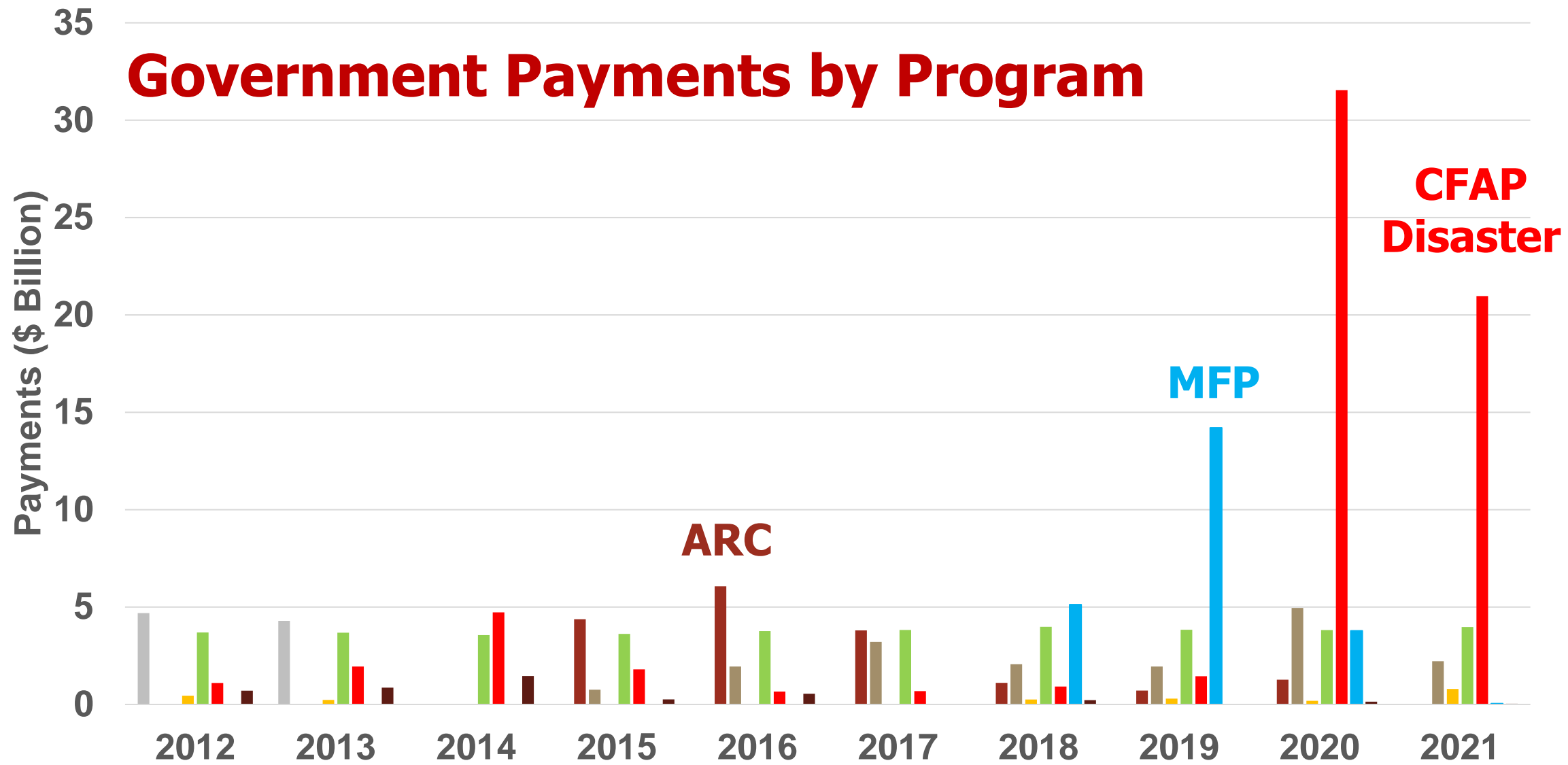


Form of Direct Farm Payments



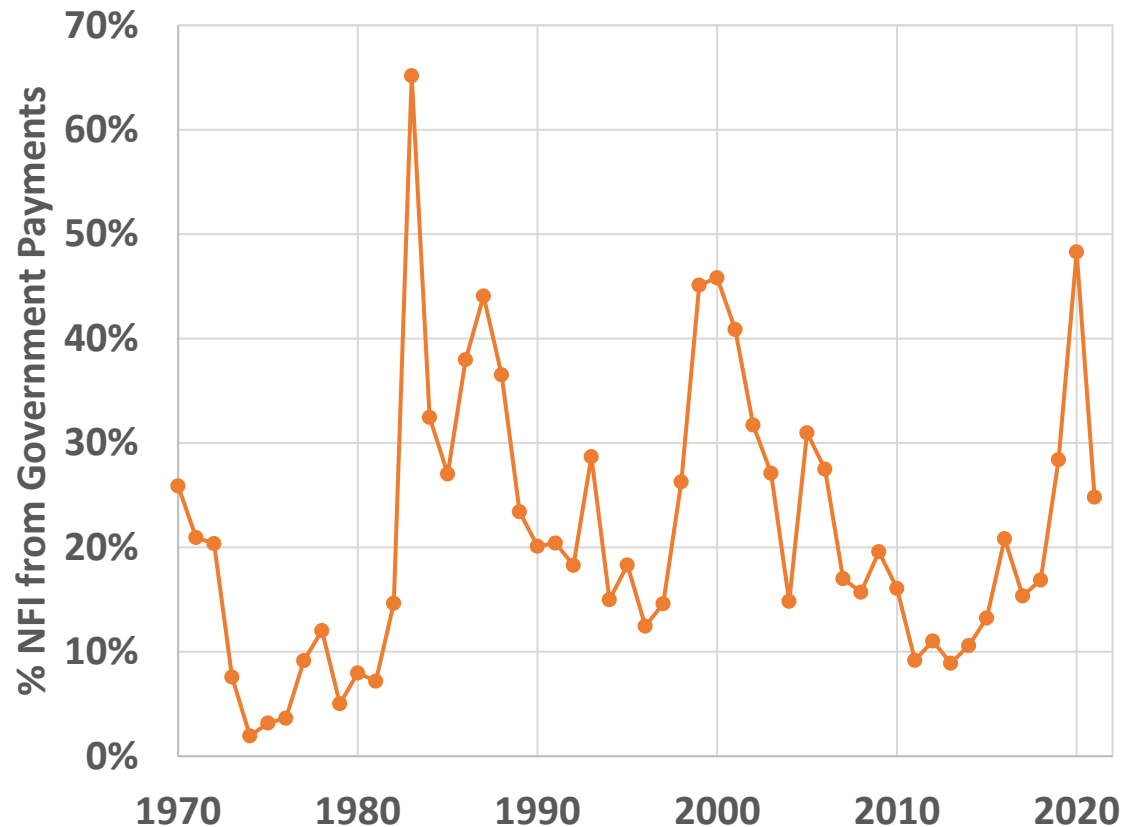


Government Payments by Program



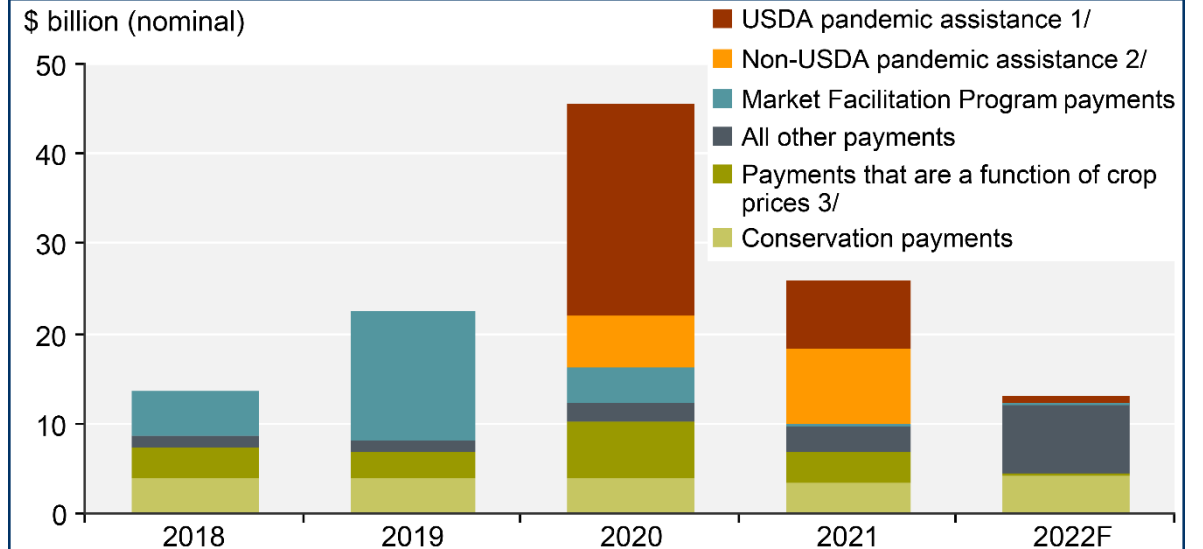
Back to Normal Commodity Support Payments

% Net Farm Income from Govt Payments



Lower Payments due to High Prices

Direct government payments to U.S. farm producers, 2018–22F



Notes: F = forecast.

1/ Includes payments from the Coronavirus Food Assistance Program and other USDA pandemic assistance for producers.

2/ Includes forgiven loans from the Paycheck Protection Program.

3/ Includes Price Loss Coverage, Agriculture Risk Coverage, loan deficiency payments (excluding grazeout payments), marketing loan gains, certificate exchange gains, and dairy payments.

Source: USDA, Economic Research Service, Farm Income and Wealth Statistics.

Data as of September 1, 2022.

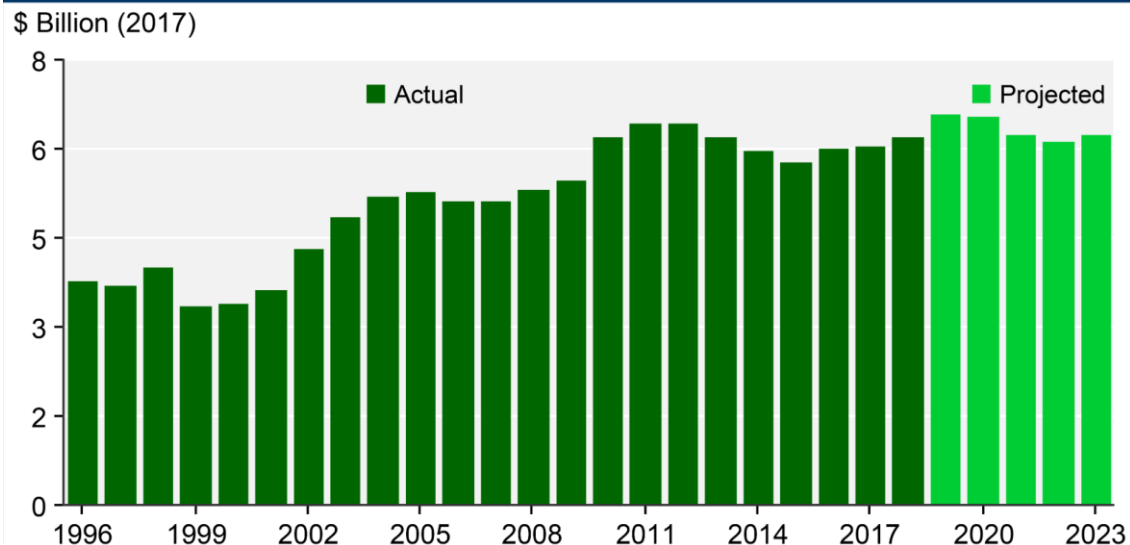
Federal Agricultural Support Programs

- 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

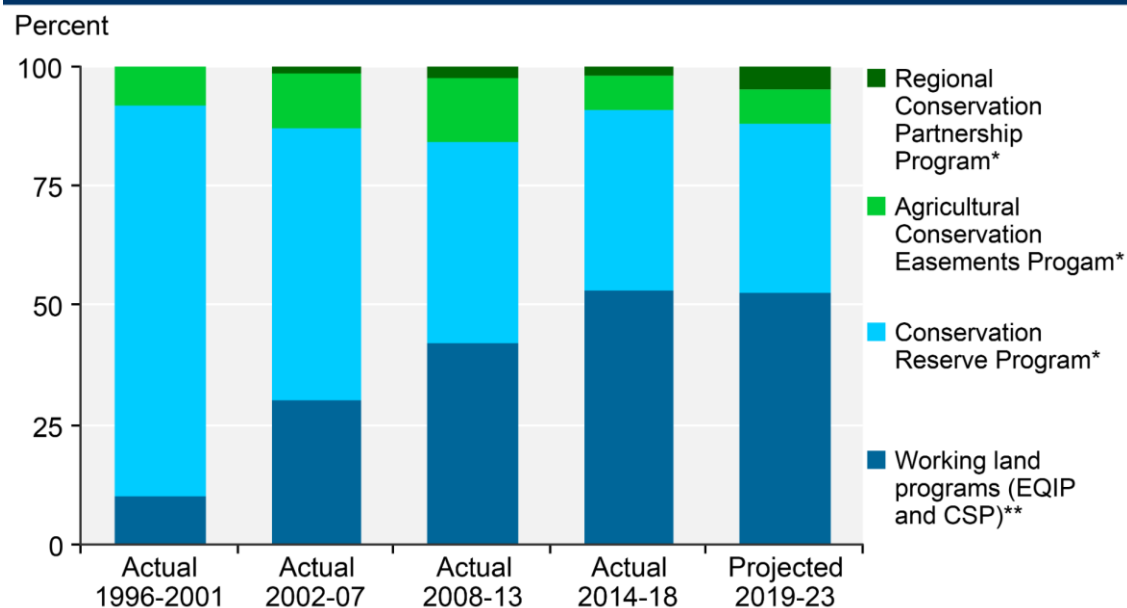
Conservation Programs: USDA-NRCS Natural Resource Conservation Service

- 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>

Inflation-adjusted annual spending for major USDA conservation programs, 1996-2018, with projections to 2023 1/

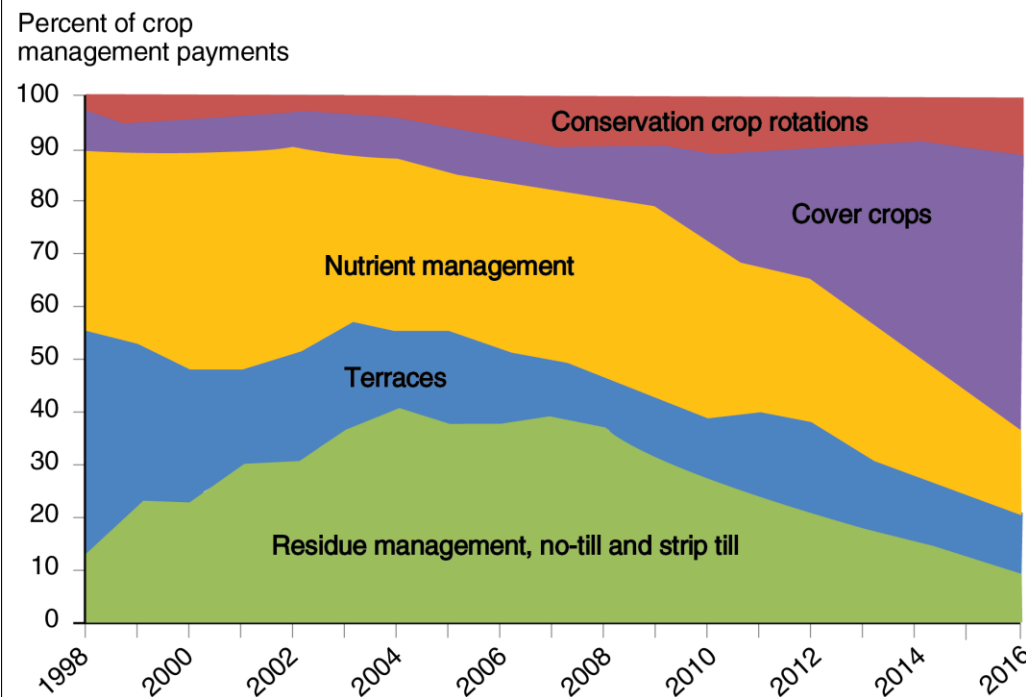


Share of conservation spending by major programs and predecessors in the 2018 and previous farm acts



USDA Conservation Spending

Share of total Environmental Quality Incentives Program (EQIP) crop management payments by crop management practice, 1998–2016



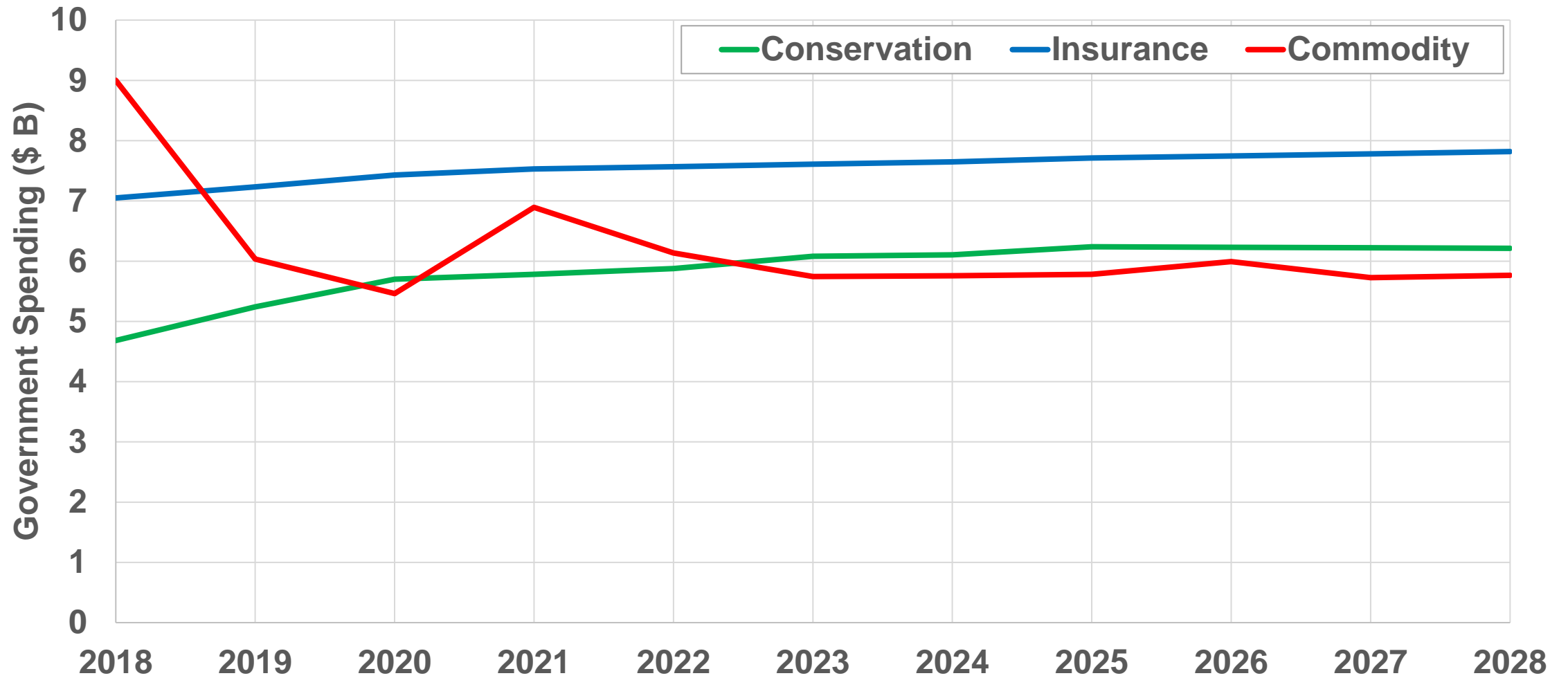
Notes: Terraces are a structural practice designed to reduce runoff and soil erosion by constructing an earth embankment or ridge that is perpendicular to a field's slope. Between 1998 and 2016, the total payments for these five practices in inflation-adjusted 2016 dollars increased from less than \$30 million per year to more than \$100 million per year.

Source: USDA, Economic Research Service using data from USDA, Natural Resources Conservation Service, EQIP practice suite payments in the United States.

<https://www.ers.usda.gov/topics/natural-resources-environment/conservation-programs/>

<https://www.ers.usda.gov/data-products/charts-of-note/charts-of-note/?topicId=63d02a40-ccda-49ee-9799-76cbd1087e65>

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
 - 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