

March 9, 2023

The Honorable Jodey Arrington, Chairman
Committee on the Budget
U.S. House of Representatives
204 Cannon House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Pursuant to section 301(d) of the Congressional Budget Act of 1974 and clause 4(f) of House Rule X, we are providing the recommendations of the Committee on Agriculture below with respect to the mission areas within the House Committee on Agriculture's jurisdiction. The Committee appreciates this opportunity to share its views and estimates for fiscal year 2024.

The Committee acknowledges the enormity of the task you have before you as the House Committee on the Budget seeks to report a fiscal year 2024 budget resolution. We believe the 2023 Farm Bill can be a vehicle that aids you in this process through strategic investments in critical programs that will alleviate the need for costly and inefficient emergency *ad hoc* spending and promote economic growth, thus contributing to lowering the debt-to-Gross Domestic Product (GDP) ratio.

To put projected farm bill spending in perspective, for the 10-year budget window of fiscal years 2024 to 2033, all federal spending contained within the 12 titles of the farm bill is projected to account for less than two percent of the entire federal budget. When broken down further, the farm safety net—commodity programs and crop insurance combined—is projected to account for a mere two-tenths of one percent of federal spending. In return for this modest investment, the farm bill undergirds the food and agriculture sectors, which in 2022 accounted for direct, indirect, and induced output of more than 43 million jobs, \$2.3 trillion in wages, \$718 billion in tax revenue, \$183 billion in exports, and \$7.4 trillion in economic activity.¹ We would challenge any Member of Congress to identify other legislation that can take credit for a similar return on investment of federal support.

Every American has been hit hard by inflation, which reached a 40-year high in 2022 and remains far above the long-term average.² America's farm and ranch families are certainly no exception and are perhaps the most critically impacted by the spike in the cost of goods, especially for the inputs necessary to operate a farm. USDA tracks production costs via the

¹ [2022 Feeding the Economy Study](#)

² [Bureau of Labor Statistics. Consumer Price Index](#)

Prices Paid Index (PPITW), which has increased 28 percent since the passage of the 2018 Farm Bill.³ In 2023, both debt-to-asset and debt-to-equity ratios are expected to climb and working capital is expected to decrease by 11.2 percent.⁴ All are frightening indications of an erosion of farm solvency, and this pattern bears a striking resemblance to the lead-up to the farm financial crisis of the 1980s. Indeed, in 2021, when adjusted for inflation, U.S. farm sector debt climbed above the previous record set in 1980 and has since continued to climb, underscoring the need for a strong farm bill.

Commodity programs contained within Title I of the farm bill are intended to provide a basic safety net for producers in the event of a precipitous decline in commodity prices or farm revenue, due to events beyond their control, including the predatory trade practices of countries such as China. However, the current policies were designed in the 2014 Farm Bill using 2012 cost of production data. Today, the combination of spiking input costs and outdated policy has rendered the commodity title ineffective. Consider the four crops that represent the largest acreage in the U.S.: corn, soybeans, wheat, and cotton. The forecast season average farm price of each commodity would need to fall by roughly 23, 30, 21, and 52 percent, respectively in 2023 to trigger any support under current law. If left unchanged, while production costs remain sticky, many producers would be bankrupt before Title I support provides assistance.

Due to the ineffectiveness of the existing farm bill safety net, Congress has returned to the cycle of providing unbudgeted *ad hoc* assistance for both weather and market related disasters, totaling \$93.3 billion over six years. This amount is 150 percent of the entire Title I 10-year baseline. The assistance has been a godsend for many producers who would not have been able to remain in business otherwise in the wake of a trade war, a once-in-a-century pandemic, or historically devastating weather disasters. However, as mentioned above, despite this infusion of assistance, the farm financial picture is beginning to erode due to repeated production losses and skyrocketing inflation.

The Committee believes the continued reliance upon off-budget assistance is not a fiscally responsible way to support producers. One of the most difficult aspects of production agriculture is the incredible amount of uncertainty farmers and ranchers face. One of the most important principles of a farm bill is its intention to provide a modicum of predictability to this very risky industry. With *ad hoc* assistance, producers and their lenders have no idea what assistance will be available, or which programs they will be eligible for when a disaster strikes. They don't know if or when policymakers will decide to step in, with action oftentimes occurring a year or more after a loss. Additionally, each time *ad hoc* assistance is authorized, either Congress or the Administration changes the parameters of which losses are eligible. As a result, the Committee believes this inefficient and ever-changing delivery of assistance costs the taxpayer substantially more than what would have been needed if the support were incorporated into the existing farm safety net.

In the late 1990s, Congress was at a similar crossroads. Due to weakened farm policy in the 1996 Farm Bill, a collapse in commodity markets, and repetitive weather disasters, Congress

³ [USDA-National Agricultural Statistics Service. Agricultural Prices](#)

⁴ [USDA-Economic Research Service. Farm Sector Income & Finances: Assets, Debt, and Wealth, February 7, 2023](#)

intervened to provide more than \$34 billion in emergency assistance from FY1999—FY2003⁵. Recognizing these same inefficiencies in *ad hoc* assistance, the House Committee on Agriculture petitioned the House Committee on Budget for resources to improve crop insurance and Title I programs. Ultimately, \$8.2 billion was invested in crop insurance via the Agriculture Risk Protection Act of 2000 (ARPA; P.L. 106-224) and \$79 billion was added to the farm bill baseline in the Farm Security and Rural Investment Act of 2002 (2002 Farm Bill; P.L. 107-171).

At the time of passage, the newly improved Title I programs were estimated to cost \$154 billion over the next 10 years. In actuality, over the subsequent decade, farm policy cost the taxpayer \$102 billion, a 33 percent savings compared to the initial estimate.

Over the last 20 years, the farm safety net has repeatedly been looked to for deficit reduction by Congress and the Administration and the baseline has been winnowed down by 60 percent in nominal dollars, and by more than 75 percent when inflation is accounted for. Additionally, since the enactment of the Budget Control Act of 2011 (BCA; P.L. 112-25), \$14.8 billion in budget authority has been permanently rescinded from mandatory agriculture spending accounts from FY2013-FY2023 due to mandatory sequestration provisions in the BCA. Sequestration on these accounts is required in law to continue another eight years through FY2031.⁶ The results of this short-sighted budgeting are that since 2018, more than 70 percent of federal funding for agriculture has come from outside of the farm bill in the form of *ad hoc* payments to farm and ranch families. With adequate resources, the Committee believes it can craft an improved safety net that takes the pressure off policy makers to intervene every time a market or weather-related disaster strikes. This will provide stability to the agricultural economy and give the House Committee on the Budget a more accurate assessment of the true cost of farm policy.

Additionally, relative to Title I, the price assumptions used by the Congressional Budget Office (CBO) to estimate the cost of the title and score changes relative to baseline are lower than other analyses. When compared to the United States Department of Agriculture (USDA) and the Food and Agriculture Policy Research Institute (FAPRI)—subject matter experts in predicting macroeconomic trends in commodity prices—CBO shows a price series that, across major covered commodities, is 10 to 15 percent lower than FAPRI and USDA projections. As a consequence, these assumptions may result in modifications or improvements to existing programs scoring more costly than they would if CBO's price assumptions were more in line with USDA and FAPRI. This further complicates this Committee's job in trying to deliver a farm safety net that is relevant to today's conditions.

The conservation title of the farm bill provides critical assistance to producers to protect natural resources. This title makes significant contributions to working lands conservation and contributes to the preservation of healthy soils, clean air and water, wildlife and wildlife habitats, and numerous other environmental benefits, including addressing and mitigating the impacts of natural disasters. To address funding backlogs across all major working lands conservation programs, the Inflation Reduction Act (IRA; P.L. 117-169) provided \$19.5 billion to these programs. While not all Members of this Committee agree with the manner in which the new

⁵ CRS Report RL31095, [Emergency Funding for Agriculture: A Brief History of Supplemental Appropriations, FY1989-FY2012](#)

⁶ CRS Analysis. Memo: Debt Limit and Deficit Reduction Effects on the Farm Bill

funds were provided, the oversubscription of these conservation programs — many of which are cost-share programs with producers—has long been a shared concern for many. The Committee will be undertaking a thorough analysis of how these funds are allocated, including USDA’s ability to spend the funding provided, and will be working to ensure they are targeted to address the most critical conservation needs to maximize their environmental impact or address other related funding concerns within the farm bill.

Overall, U.S. producers export more than 20 percent of what they produce, with numerous commodities exporting more than 70 percent of U.S. production. This underscores the importance of trade promotion programs contained in the farm bill. The flagship program in the trade title, the Market Access Program (MAP), has been funded at \$200 million per year since 2006. When inflation and sequestration are accounted for, that level has declined to \$125 million per year in real dollars. Consequently, since 2011, the agricultural trade balance of the U.S. has declined from a surplus of \$40 billion to a \$481 million trade deficit—the first in more than 60 years—in 2019.⁷ According to USDA, for every \$1 spent on market development programs, the return is \$24 in additional U.S. agricultural exports. For U.S. producers to remain competitive in international markets in the face of high and rising foreign subsidies, tariffs, and non-tariff trade barriers of countries such as China, further investments in these programs may well be required.

Each Member of the Committee thinks differently, and often passionately, about the farm bill’s nutrition programs, namely the Supplemental Nutrition Assistance Program (SNAP). The Committee will continue its oversight and engagement related to the local, regional, and Federal impact of anticipated spending, set to peak at \$124 billion through aid to more than 41 million people in 2023. That oversight will include the process by which the Thrifty Food Plan was reevaluated in 2021, as well as how the program can better align with improving technologies and evolving ways of purchasing and consuming. The Committee will also continue its review of strong pathways to employment, the promotion of health and well-being, and robust and effective integrity measures within farm bill nutrition programs. The Committee believes the combination of each, coupled with outcomes like lower healthcare costs and increased labor force participation, will have sustainable and far-reaching impacts on our nation’s deficit.

Across the remaining titles of the farm bill, numerous provisions impact all portions of the agriculture sector and rural America, and they all have a role to play in contributing to a robust rural economy, including:

- Credit programs that help finance farm operations;
- Research funding that increases farm productivity and sustainability;
- Rural development programs that bring capital to the countryside, improve infrastructure and health outcomes, and provide opportunities for direct to market and value-added production;
- Resources for the deployment of broadband infrastructure to bridge the digital divide between urban and rural America;
- Policies that aid in the management of our public and private forests;
- Energy programs that ensure rural America benefits from energy efficiency efforts and continues to play a role in the production of renewable energy;

⁷ [USDA-ERS. Foreign Agricultural Trade of the United States \(FATUS\)](#)

- Horticulture initiatives that increase and improve access to fruits and vegetables;
- Animal health programs that safeguard against the spread of economically devastating animal disease; and
- Outreach programs that ensure all producers have access to and can participate in USDA assistance and programs.

Each of these provisions will be reviewed by the Committee to ensure they responsibly meet the needs of their respective challenges.

The Committee is currently in listening mode as we conduct farm bill hearings in Washington, D.C. and field listening sessions across the country. This input from stakeholders is critical to developing policies that meet the needs of producers, rural communities, and all American consumers. Based on the reasons outlined above and early stakeholder feedback, we believe additional resources will be necessary to enact a strong farm bill in 2023. However, in meeting those needs, under our jurisdiction, we are committed to carefully crafting a fiscally responsible farm bill.

Sincerely,

Glenn “GT” Thompson
Chairman
House Committee on Agriculture

David Scott
Ranking Member
House Committee on Agriculture

cc: The Honorable Brendan Boyle, Ranking Member, Committee on the Budget