

Path to Trillion Dollar Farm Bills: Updated May 2013



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Some lawmakers are patting themselves on the back for attempting to cut a sliver of farm bill spending during a time of a \$16.8 trillion national debt. Renewed every five to six years, the farm bill is the primary legislative vehicle that influences the agricultural safety net. But rather than tackle our massive debt, the House and Senate Agriculture Committees propose farm bills in 2013 that squander an opportunity to rein in out-of-control spending and reform outdated agricultural policies. They instead are pushing business-as-usual proposals that cave to special interests and fail to manage taxpayer dollars wisely.

While a full five-year farm bill wasn't passed in 2012, current policy was extended through Sept. 30, 2013. This year, Congress has an opportunity to revisit agricultural policies and create a more cost-effective, accountable, transparent, and responsive safety net that saves taxpayers at least \$100 billion over the next decade..

Farm Bill Doubled in Cost over Past Decade

Just a decade ago, budget experts estimated that the 2002 farm bill would cost taxpayers \$451 billion over ten years. Farm legislation passed in 2012 by the full Senate and the House Agriculture Committee was expected to cost more than double this amount - nearly \$1 trillion over the next decade. More information can be found in Table 1. Most of the cost increase can be attributed to higher spending on the Supplemental Nutrition Assistance Program (SNAP, also known as food stamps), and highly subsidized crop insurance. About 80 percent of farm bill spending goes to nutrition programs, followed by subsidies for farm supports and crop insurance (13 percent), conservation programs (6 percent), and everything else which includes trade, energy, horticulture, research, rural development, etc. (1 percent).

Table 1: Projected Costs of Recent Farm Bills

| Farm Bill | 10-Year Projected Cost | % Increase from Previous Legislation |
|---|------------------------|--------------------------------------|
| 2002 Farm Bill Projected Spending ¹ | \$451 billion | |
| 2008 Farm Bill Projected Spending ² | \$604 billion | 34% increase from 2002 |
| 2013 Senate Farm Bill as of May 2013 ³ | \$955 billion | 58% increase from 2008 |
| 2013 House Farm Bill as of May 2013 ⁴ | \$940 billion | 56% increase from 2008 |

CBO's Crystal Ball is Not Perfect

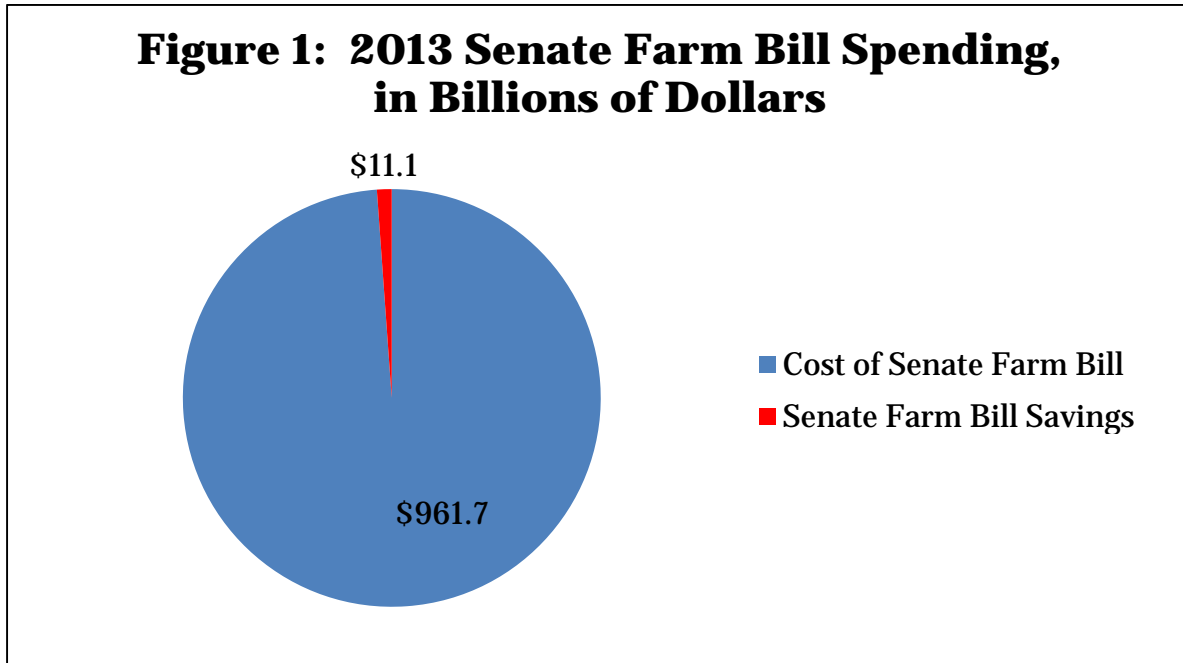
Not only have farm bill costs increased significantly over time, but they are notoriously *over* budget. The final price tag of the 2002 farm bill was underestimated by 30 percent, and the 2008 bill is expected to spend at least 51 percent more than predicted (see Table 2 for more information). Despite having extensive tools at their disposal, the Congressional Budget Office (CBO) is not the Farmer's Almanac. CBO has a poor track record of predicting the costs of the crop insurance program. And subsidies that pay for insurance agents' commissions and producers' premiums are predicted to double over the next decade as compared to those passed just five years ago. Coupled with proposed special interest carve-outs for catfish, cotton, popcorn, and peanuts and new cash guarantee programs, taxpayers could be out billions more than CBO's crystal ball envisions. A trillion dollar farm bill could easily turn into \$1.5 trillion or even more.

| Table 2: Farm Bill Costs are Greatly Underestimated | | |
|--|-----------------------|-----------------------|
| 10-Year Cost | 2002 Farm Bill | 2008 Farm Bill |
| Projected cost after bill was passed | \$451 billion | \$604 billion |
| Actual cost | \$587.5 billion | \$913.3* billion |
| Percent over budget | 30% | 51% |
| * Includes actual costs for FY08-12 and estimated costs for FY13-17. | | |

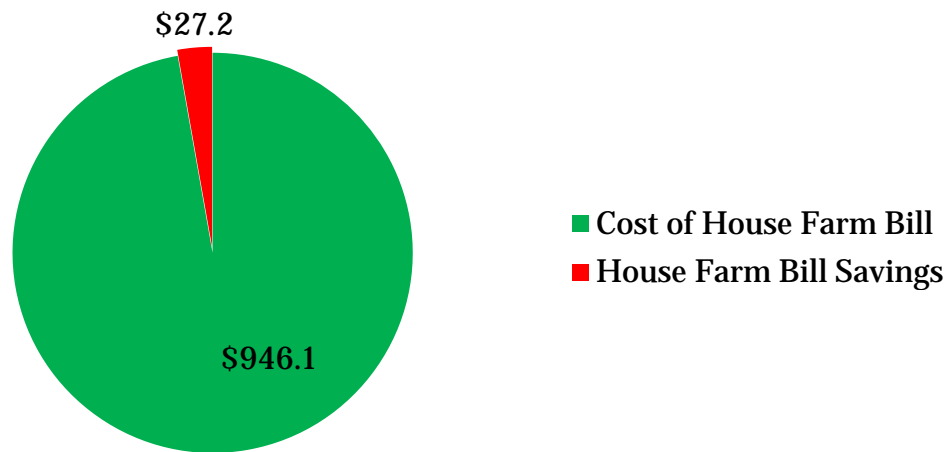
2013 Farm Bills Save Pennies on the Dollar

Farm bills proposed this year by the Senate and House Agriculture Committees fail to save taxpayers more than one to three percent off the projected ten-year spending levels. See Figures 1 and 2 below for more information. The introduction of new income guarantee programs and special interest carve-outs could even push the scale in the opposite direction, costing taxpayers even more over the next five years. Take the Senate bill as an example.⁵ Fully two-thirds of its expected “savings” occur after the bill expires in 2018. CBO also estimates that if all discretionary programs are fully funded, the bill would cost taxpayers an **additional** \$40 billion in deficit spending over ten years.

Finally, both the Senate and House bills attempt to take credit for over \$6 billion in already mandated sequestration savings, in addition to shifting the timing of commodity payments which create a mirage of an extra \$6-7 billion in savings. Taking out these fake savings results in a meager \$11 billion and \$27 billion in savings in the Senate and House farm bills, respectively.⁶ This is much less than the \$23-24 being touted by Senate Agriculture Committee leaders or the “nearly \$40 billion” making headlines from the House Agriculture Committee.⁷



**Figure 2: 2013 House Farm Bill Spending,
in Billions of Dollars**



Conclusion

Taxpayers could save at least \$100 billion over the next ten years by eliminating wasteful agricultural subsidies like direct payments, reining in out-of-control spending on the highly subsidized federal crop insurance program, rejecting new “shallow loss” income guarantee subsidies, and making other federal farm bill programs more transparent and accountable to the public. An adequate, effective, and efficient agricultural safety net can be created but the political will to eliminate outdated and unnecessary subsidies must first be summoned.

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¹ <http://www.nationalaglawcenter.org/assets/crs/RL31195.pdf>

² <http://www.nationalaglawcenter.org/assets/crs/R41195.pdf>

³ <http://cbo.gov/publication/44248>

⁴ <http://cbo.gov/publication/44271>

⁵ <http://cbo.gov/publication/44248>

⁶ <http://cbo.gov/publication/44271>

⁷ <http://www.ag.senate.gov/newsroom/press/release/senators-praise-stabenow-and-cochran-for-bipartisan-2013-farm-bill>-, <http://agriculture.house.gov/press-release/house-ag-committee-approves-farm-bill-significant-savings-reforms>