

THE FARM BILL:

From Past to Present



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A Legislative Research Office Backgrounder

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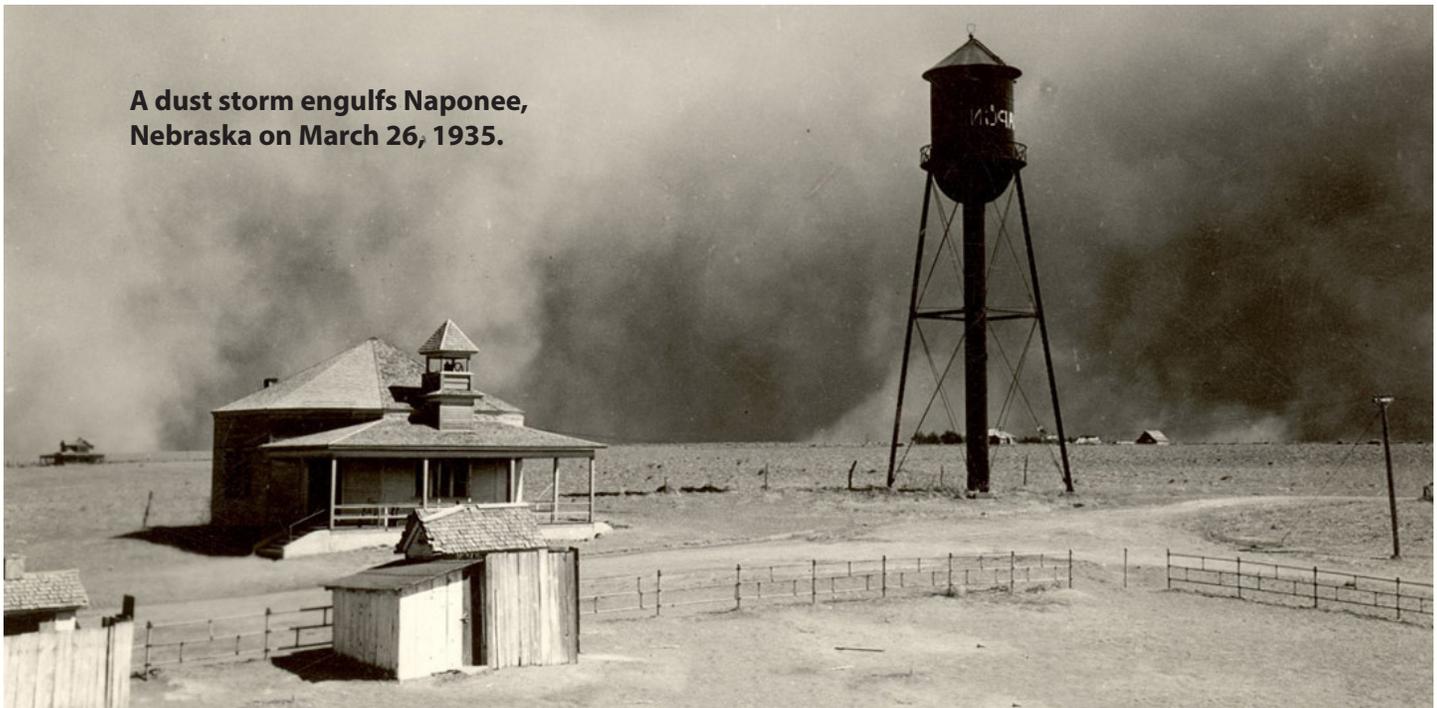
Introduction

The Agriculture Improvement Act of 2018 (P. L. 115-334) became law in December 2018, with a five-year price tag of \$428.3 billion. Known as the U.S. “farm bill,” it is a massive multi-year piece of legislation that governs the country’s farm and food policy.

While federal policies are sometimes created or changed by freestanding legislation or as part of other major laws, the farm bill has historically provided, and continues to provide, a predictable opportunity for policymakers to address agriculture and nutrition issues. On average, a new farm bill is passed about every five years.

Following is a brief description of the history of the farm bill and how it has evolved since its inception. We conclude with a discussion of the 2018 funding priorities, highlight some of the policies and programs contained in the bill, and take a brief look at how changes in federal industrial hemp policies will impact Nebraska.





A dust storm engulfs Naponee, Nebraska on March 26, 1935.

Birth of the Farm Bill

Congress has been active in establishing federal policy for the agricultural sector since the 1930s. The first farm bill, the Agricultural Adjustment Act (AAA), passed in 1933 as part of President Franklin Roosevelt's New Deal.¹ At the time the bill was considered a radical intrusion by the federal government into the economic lives of traditionally independent farmers.

Agricultural surpluses during the 1920s caused prices for farm products to drop steadily from the highs of the First World War. The onset of the Great Depression coupled with the environmental catastrophe of the Dust Bowl years hit farmers especially hard. Prices continued to drop, markets dried up, and crops failed. In 1932, net farm income was down by 70 percent. By 1933, 45 percent of all farm mortgages were delinquent and facing foreclosure. An estimated 3.5 million people abandoned their farms and moved to other parts of the country.²

Crop prices were so low that some farmers chose to destroy their crops rather than deliver them to market

as harvest and transport costs would have exceeded revenue. A farmer interviewed about his experiences during the Depression related that "In South Dakota, the county elevator listed corn as minus three cents. *Minus* three cents a bushel. If you wanted to sell 'em a bushel of corn, you had to bring in \$.03."³

Faced with depressed prices, farmers increased production to make ends meet, further adding to existing surpluses and dropping prices. Unable to get farmers to voluntarily cut production, President Roosevelt's solution was to pay them to limit cultivation of seven major crops known as commodities – wheat, cotton, field corn, hogs, rice, tobacco, and milk and its products. The rationale behind the plan was that by decreasing supply, prices would increase. Any remaining surplus agricultural goods would be purchased by the government and distributed to unemployed Americans in urban areas.

By the end of 1935, the AAA paid out over \$1.1 billion in benefit and rental payments, with approximately half of all payments going to states on the Great Plains. North Dakota, South Dakota, Nebraska, Texas, and

1. There have been 18 farm bills since the 1930s (2018, 2014, 2008, 2002, 1996, 1990, 1985, 1981, 1977, 1973, 1970, 1965, 1956, 1954, 1949, 1948, 1938, and 1933).

2. Rasmussen, W.D., Baker, G.L., and Ward, J.S. (March 1976). *A short history of agricultural adjustment, 1933-75*. (Agriculture Information Bulletin No. 391). Retrieved from <https://naldc.nal.usda.gov/download/CAT87210025/PDF>

3. Terkel, S. (1970). *Hard times*. New York: Pantheon. pp. 217-221.



President Franklin Delano Roosevelt (second from right) listens to Nebraska Senator George W. Norris at a campaign stop in Lincoln in 1936.
Photo courtesy Nebraska State Historical Society

Oklahoma were the top five states in the percentage of farmer participation in the program.⁴

In 1936, the U.S. Supreme Court found the AAA unconstitutional and an overreach of the powers of the federal government.⁵ Funding for the program came from an excise tax imposed on processors of agricultural products, such as textile mills or slaughter houses, and the court ruled that Congress could not tax one group to provide benefits to another group. Further, the court said that regulation of agriculture was the province of the states, not Congress.

The Roosevelt administration immediately set about trying to craft new legislation. Senator George Norris (R., Neb.), minority member of the Senate Committee on Agriculture, expressed the opinion that the Supreme Court's decision made it impossible "to pass any law that in any way regulates agricultural production that would be constitutional."⁶

Although grave doubts existed as to its constitutionality, Congress replaced the AAA with a new farm bill, the Agricultural Adjustment Act of 1938, this time emphasizing soil conservation rather than income support. Farmers would be paid with U.S. treasury

funds to retire land from production or switch from "soil-depleting" crops such as corn to "soil-conserving" crops such as soybeans. Commodity crop production would continue to decrease with the added benefit of reducing the massive wind erosion that characterized the Dust Bowl years.

From the 1930s to the Present

Programs providing assistance to farmers remain central to the farm bill's mission, but as social and economic conditions have changed, and technology has evolved, farm bills have become broader, more complicated, and have increased in political sensitivity.

All farm bills are organized into topical categories referred to as "titles." The first farm bill included three titles, and was 24 pages long; the 2018 farm bill contains 12 titles, and is over 500 pages long. Today it is no exaggeration to say that the farm bill has something for everyone.

Through the 1940s and 1950s, in addition to helping farmers, the farm bill was used to support the country's war efforts. During World War II and the Korean conflict, the United States imported half of the wool

4. Braeman, J. (2004). New Deal. In D. Wishart (Ed.), *Encyclopedia of the Great Plains* (p.54). Lincoln, Nebraska: University of Nebraska Press.

5. *United States v. Butler*, 297 U.S. 1 (1936), also known as the Hoosac Mills case.

6. Patch, B. W. (1936). Soil conservation and agricultural adjustment. *Editorial research reports 1936* (Vol. I). Washington, DC: CQ Press. Retrieved from <http://library.cqpress.com/cqresearcher/cqresrre1936012700>



needed for its military uniforms. Determined to reduce dependence on foreign fibers, Congress declared wool a “strategic material” in the 1954 farm bill. Wool producers received direct government payments to increase supply.⁷ Today wool is no longer on the Pentagon’s strategic materials list, but wool producers can still take advantage of government assistance programs. Congress may modify, but rarely subtracts, programs once they are added.

During the 1960s an increased federal focus on rural poverty led to the inclusion of a number of rural development programs. In 1970, a stand-alone Rural Development Title was added. Programs in this title help ensure that “public good” services like electricity, water, access to credit, and business development can thrive in rural settings. Today the farm bill is the major legislative vehicle for addressing rural issues.

In the 1970s and 1980s amidst growing environmental concerns, miscellaneous conservation-related provisions made their way into farm bills. The 1985 farm bill included a comprehensive Conservation Title encouraging farmers to reduce soil erosion and avoid the destruction of wetlands. In 1990, the farm bill went as far as adding a Global Climate Change Title. Its presence was short-lived and this Title has not appeared in any subsequent farm bills.⁸

In the 1990s and 2000s the farm bill expanded to include trade and international food aid; organic agriculture; horticulture; and support for farmers markets and local food systems. Since 2002, an Energy

Title with a strong focus on renewable energy and bioenergy has been included.

The most substantive and controversial change to the farm bill came in 1973 when funding for the Food Stamp Program (FSP), one of Lyndon Johnson’s signature Great Society programs, was added. The 2008 farm bill renamed the program the Supplemental Nutrition Assistance Program (SNAP). Today SNAP is the nation’s largest domestic food and nutrition assistance program for low-income Americans and accounts for 76.1 percent of total 2018 farm bill spending.



Strange Bedfellows

The farm bill provides an opportunity for Congress to choose how much support to provide for agriculture and nutrition and how to allocate limited funds among competing constituencies.

The omnibus nature of the bill can create broad coalitions of support among sometimes conflicting interests. Policies that individually might not survive the legislative process, such as commodity price supports that are important to farm state lawmakers, and pricey domestic food assistance programs, equally important to their urban counterparts, gain passage due to the unlikely and ongoing alliance between these two groups.

Beyond rural and urban interests, a diverse mix of stakeholders compete for farm bill resources. National farm groups; commodity associations; state organizations; nutrition and public health officials; advocacy groups representing conservation, recreation, and rural development; local and urban farmers; faith-based institutions; and land grant universities all have a hand in shaping today’s farm bill.

7. Canada, C. (Oct. 30, 2008). *Wool and mohair price support*. (CRS Report RS20906). Retrieved from <https://nationalaglawcenter.org/wp-content/uploads/assets/crs/RS20896.pdf>

8. The 1990 farm bill included 25 titles, the most for any farm bill.

Funding Priorities in 2018 Farm Bill

The 2018 farm bill has 12 titles (see page 8 for a description of each). Spending for all titles over the five-year period 2019-2023 is projected at \$428.3 billion. The chart below illustrates the projected outlays by title.

Four titles -- Commodities, Crop Insurance, Conservation, and Nutrition -- account for over 99 percent of the total cost. Combined spending for the remaining eight titles -- Trade, Credit, Rural Development, Research, Forestry, Energy, Horticulture, and Miscellaneous -- is less than one percent but includes a wide array of significant programs.

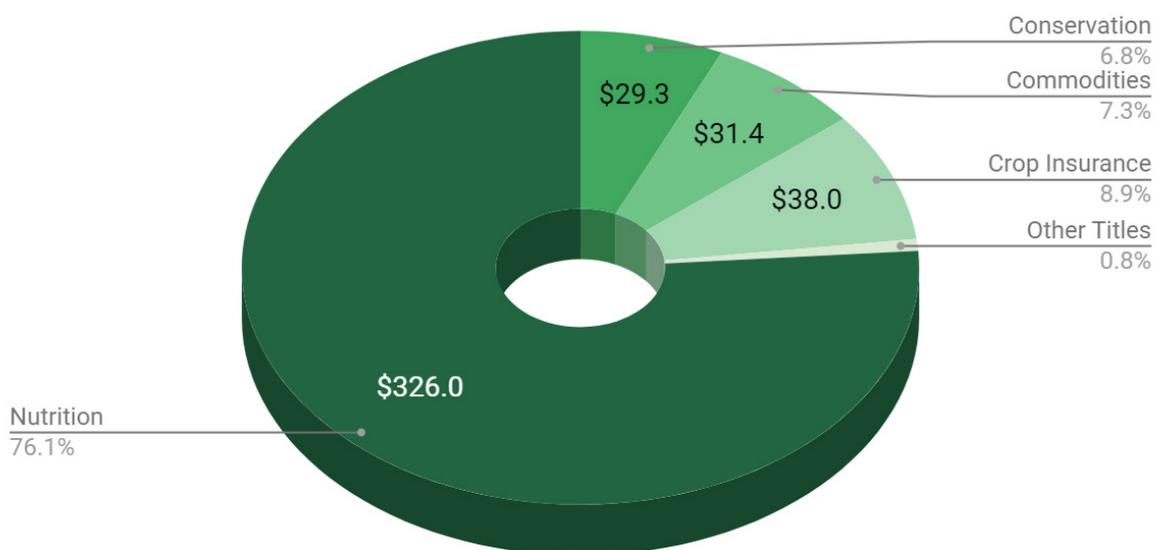
Funding for traditional farm safety-net programs makes up 16.2 percent of the total. The federal government supports farm income and helps farmers manage risks associated with fluctuations in crop yields and prices through a collection of programs often referred to as the “farm safety net.”⁹ These programs include (1) commodity-based revenue

support programs; (2) federal crop insurance; and (3) disaster assistance programs.¹⁰

Conservation-related expenditures, also largely targeted to farmers, account for 6.8 percent of the cost. The majority of conservation funding goes to working lands programs and retirement and easement programs. Working lands programs provide technical and financial assistance to help farmers improve land management practices. Land retirement and easement programs provide federal payments to private agricultural landowners to restrict the use of environmentally sensitive land.

By far the largest spending category is the Nutrition Title, accounting for 76.1 percent of outlays. SNAP benefits make up the bulk of the Nutrition Title, but money also goes to other programs, including the Emergency Food Assistance Program (TEFAP) that makes commodity foods available to states for distribution to low-income people through food banks, emergency food pantries, soup kitchens, and homeless shelters.

Projected Farm Bill Spending FY 2019 - FY 2023 (Billions)¹¹



9. Johnson, R. (March 15, 2017). *Previewing a 2018 farm bill* (CRS Report R44784). Retrieved from <https://fas.org/sgp/crs/misc/R44784.pdf>

10. Funding for agricultural disaster assistance programs, the third component of the farm safety net is contained in both Title I and Title XI. Agricultural disaster assistance programs focus primarily on livestock and tree crop producers, who generally do not benefit from crop insurance or commodity programs.

11. Source: Congressional Research Service. (Feb. 22, 2019). *The 2018 farm bill (P.L. 115-334): Summary and side-by-side comparison*. (CRS Report R45525). Retrieved from <https://crsreports.congress.gov/product/pdf/R/R45525>

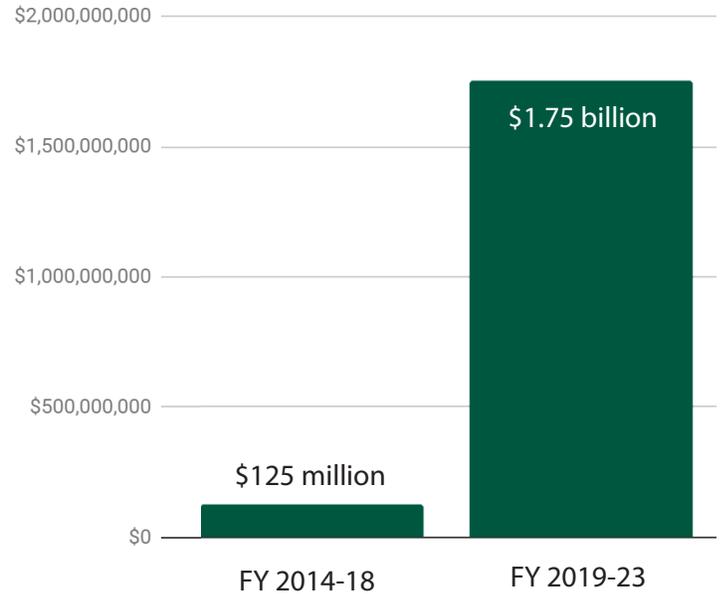


Policy Highlights for 2018

The range of policies and programs included in the new farm bill is expansive. The following list highlights a few of the bill's many provisions. The 2018 farm bill:

- Requires the appointment of an Undersecretary for Rural Development at the USDA to advocate for rural communities;
- Increases funding for expansion of high-speed internet in rural areas from \$25 million to \$350 million per year, and increases minimum acceptable levels of broadband service for rural areas to 25 Mbps download and 3 Mbps upload;
- Prioritizes funding for projects to combat opioid addiction in rural areas including building and improving medical facilities and increasing funding to expand telemedicine programs that provide substance use disorder treatment services;
- Legalizes the commercial cultivation, processing, and marketing of industrial hemp and makes it eligible for crop insurance coverage;
- Increases funding for organic agriculture and specialty crop research;
- Provides funding to establish the National Animal Disease Preparedness and Response Program and creates a vaccine bank to respond to animal disease outbreaks such as foot-and-mouth disease;
- Expands agricultural disaster assistance programs to cover livestock losses caused by disease;
- Creates the Farming Opportunities Training and Outreach (FOTO) Program to coordinate initiatives that help socially disadvantaged farmers, military veteran farmers, and beginning farmers and ranchers navigate the complex process of accessing government resources such as training, technical assistance, access to credit, and tax incentives to get started and succeed in agriculture;
- Creates a pilot program to incentivize farmers to adopt practices that improve soil health by capturing carbon from the atmosphere and storing it in the soil;
- Establishes a nationwide National Accuracy Clearinghouse to prevent SNAP recipients from collecting benefits in multiple states;
- Expands the definition of “family farm” to include first cousins, nieces, and nephews – making them eligible to receive commodities subsidies;
- Increases the amount of environmentally sensitive land that can be protected through the Conservation Reserve Program (CRP) from 24 million acres to 27 million; and
- Creates the Emergency and Transitional Pet Shelter and Housing Assistance Grant Program and authorizes \$3,000,000 per year to fund the construction and operation of emergency shelters for the pets, service animals, emotional support animals, or horses of victims of domestic violence.

Farm Bill Broadband Spending



Industrial Hemp in the 2018 Farm Bill

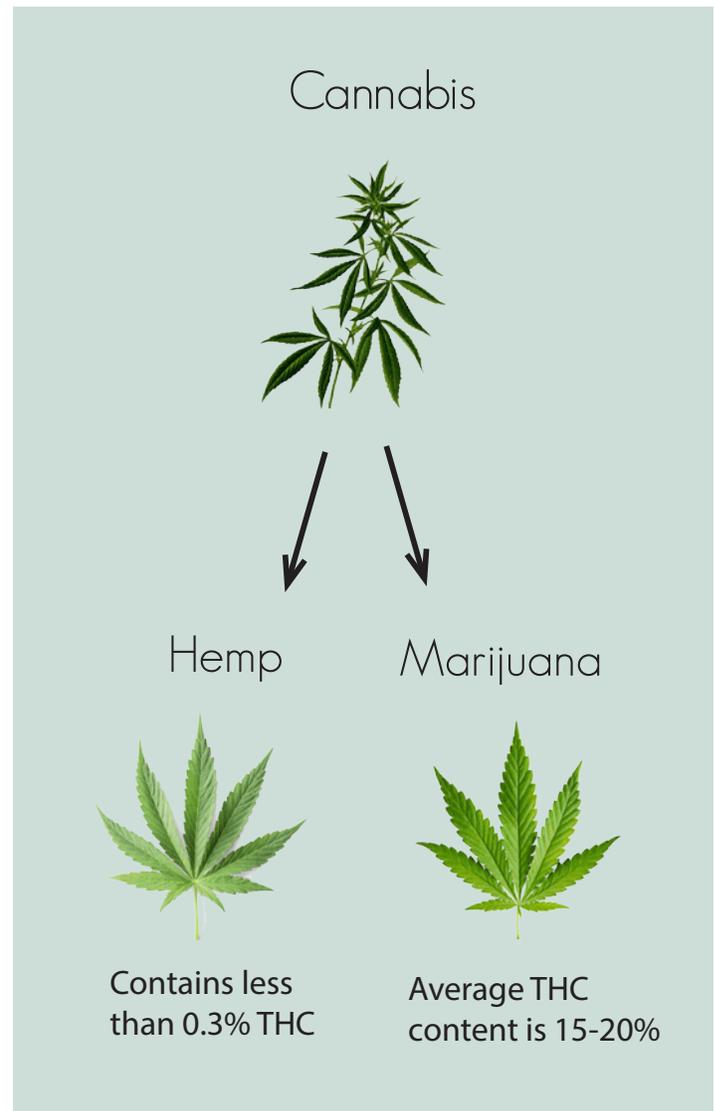
The 2018 farm bill makes major changes to U.S. industrial hemp policy. Industrial hemp with no more than 0.3 percent tetrahydrocannabinol (THC) will no longer be considered a controlled substance. It can be cultivated, processed, and sold as an agricultural product and may be transported over state lines without restriction as long as it is produced in a manner consistent with the law.

Industrial hemp is an agricultural commodity cultivated for a range of goods including foods, beverages, and nutritional supplements; cosmetics and personal care products; fabrics and textiles; yarns and spun fibers; construction and insulation materials; paper; and many other manufactured goods. It is also a variety of *Cannabis sativo* – the same plant species as marijuana.

Since passage of the Marihuana Tax Act in 1937 which regulated the importation, cultivation, possession, and distribution of marijuana, but did not criminalize it, the federal government has treated marijuana and hemp the same for regulatory purposes. In 1970 marijuana was classified and restricted as a narcotic, and the Controlled Substances Act banned cannabis of any kind.

The 2014 farm bill marked a small shift in industrial hemp production allowing some research institutions and state departments of agriculture to grow industrial hemp as part of an agricultural pilot program if permitted under state laws. The Nebraska Legislature adopted LB 1001 (2014) to allow postsecondary institutions and the Nebraska Department of Agriculture to grow industrial hemp for research purposes. Industrial hemp remained a Schedule I controlled substance.

Under the new legislation, states and the federal government will share regulatory power over hemp production. State departments of agriculture must consult with each state's governor and chief law enforcement officer to devise a plan to license and



regulate hemp and submit it to the Secretary of the U.S. Department of Agriculture (USDA) for approval. In states that choose not to institute their own hemp regulations, the USDA will develop a federally run program to license and regulate hemp growers.

In the 2019 legislative session, two bills directly related to the new farm bill's industrial hemp provisions were introduced. LB 657 (Wayne) adopts the Nebraska Hemp Act to permit the growth and cultivation of industrial hemp in Nebraska. The Nebraska Hemp Act would serve as the state plan for regulating hemp production pursuant to the new federal guidelines. LB 457 (Lathrop) creates an exception for hemp in the Nebraska Uniform Controlled Substances Act.



Guide to 2018 Farm Bill Titles

Title I, Commodities. Provides payments when crop prices or revenues decline for over 20 major commodity crops. Includes agricultural disaster assistance programs to help livestock and tree fruit producers manage losses due to natural disasters.

Title II, Conservation. Funds programs that help farmers implement natural resource conservation efforts on working lands like pasture and cropland, land retirement programs, and easement programs. These programs are the largest source of money for private land conservation efforts.

Title III, Trade. Deals with statutes concerning U.S. international food aid and agricultural export programs.

Title IV, Nutrition. Provides nutrition assistance for low-income households through programs such as the Supplemental Nutrition Assistance Program (SNAP) and emergency food assistance programs.

Title V, Credit. Offers direct government loans to farmers and ranchers and guarantees loans from commercial lenders.

Title VI, Rural Development. Supports rural business and community development programs. Representative programs include grants and loans for infrastructure such as water and sewage systems, economic development, rural electric and telecommunications services, rural hospitals, and housing programs.

Title VII, Research. Offers a wide range of agricultural research and extension programs that expand academic knowledge about agriculture and food and help beginning and established farmers and ranchers become more efficient, innovative, and productive.

Title VIII, Forestry. Supports forestry management programs run by the USDA's Forest Service. Recent farm bills have included wildfire initiatives and provisions to address deteriorating forest conditions due to invasive species and insect infestation.

Title IX, Energy. Supports agriculture-based renewable energy. Strong focus on biofuel production, including ethanol, and research efforts into new types of biofuels.

Title X, Horticulture. Covers a diverse set of agricultural producers including specialty crops – fruits, vegetables, tree nuts, dried fruits, and floriculture and ornamental products – certified organic agriculture, and local and regional food production.

Title XI, Crop Insurance. Protects crop producers from unavoidable risks associated with adverse weather events and other perils. Crop insurance is the primary risk management tool for farmers. More than 100 crops are currently insurable.

Title XII, Miscellaneous. Covers programs that do not fit into other titles, including livestock and poultry production and inspections, animal health research and disease eradication programs, and initiatives to increase diversity in the agriculture sector.

Farm Bill – Good or Bad?

Given the unpredictable nature of agricultural production and markets, many policymakers and farmers consider federal support of farm businesses necessary for their financial survival, but the farm bill is not without its share of detractors. Long-time farm program critics question the need for any farm subsidies, contending that government funding could be better spent improving the environment or raising productivity. Others cite economic arguments against the programs – that they are a market-distorting use of taxpayer dollars, encourage concentration of production, favor large-scale farming at the expense of small or beginning farmers, and pay benefits to high-income recipients. Others criticize linking popular agriculture programs with contentious nutrition spending. Finally, some farm producers complain that safety net programs are too slow to respond to disasters, are not well integrated, and do not provide adequate risk protection.¹²

12. Lotterman, E. (Dec 7, 1996). Farm bills and farmers: The effects of subsidies over time: An analysis of over 60 years of agriculture legislation. Federal Reserve Bank of Minneapolis. Retrieved from <https://www.minneapolisfed.org/publications/the-region/farm-bills-and-farmers-the-effects-of-subsidies-over-time>.



The Future of the Farm Bill

Intended as a temporary measure to aid farmers during desperate times, 80 years later, the farm bill remains the nation's single most important piece of agricultural legislation. Given its long history, broad reach, and multiple stakeholders, the farm bill is unlikely to dramatically change anytime soon. While new developments in both technology and policy will shape future legislation in ways we cannot yet imagine, the farm bill will remain the principal reflection of U.S. agriculture and nutrition policy for years to come.

