

Path to Trillion Dollar Farm Bills



March 2013

Some lawmakers are patting themselves on the back for attempting to cut a sliver of farm bill spending during a time of a \$16.5 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Committees proposed farm bills in 2012 that squandered an opportunity to rein in out-of-control spending and reform outdated agricultural policies. They instead produced business-as-usual proposals that caved to special interests and fail to spend taxpayer dollars wisely. While a full five-year farm bill wasn't passed last year, 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).

Farm Bill	10-Year Projected Cost	% Increase from Previous Legislation
2002 Farm Bill Projected Spending	\$451 billion	
2008 Farm Bill Projected Spending	\$604 billion	34% increase from 2002
2012 Senate-passed Farm Bill as of March 2013	\$963 billion	59% increase from 2008
2012 House Agriculture Committee Farm Bill as of March 2013	\$950 billion	57% 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 52 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.

10-Year Cost	2002 Farm Bill	2008 Farm Bill
Projected cost after bill was passed	\$451 billion	\$604 billion
Actual cost	\$587.5 billion	\$916.6* billion
Percent over budget	30%	52%
* Includes actual costs for FY08-12 and estimated costs for FY13-17.		

Even CBO cost estimates from just a few months ago have greatly underestimated the cost of federal farm bill spending, signaling a strong likelihood that the next farm bill will cost taxpayers billions more than its supporters claim. As illustrated in Table 3, while CBO projected in July 2012 that the Senate-passed farm bill would save \$23 billion over the next ten years, as compared to business as usual, CBO's most recent analysis anticipates a meager \$13 billion in saving - \$10 billion less.¹ When first introduced, CBO actually estimated that the Senate farm bill would save \$25 billion, more than the Senate Agriculture Committee wanted. The committee promptly "spent" \$2 billion on various pet projects in a matter of hours, bringing the bill's price tag closer to their low target.² Similarly, the House Agriculture Committee-passed bill was originally estimated to save \$35 billion but is now expected to reduce farm bill spending by only \$26.6 billion over the next ten years.³

2012 Farm Bill Version	10-Year Cost Savings Estimates			Increase in Deficit from Original Bill/Cost Estimate
	April 2012	July 2012	March 2013	
2012 Senate-passed Farm Bill	\$25 billion	\$23 billion	\$13 billion	\$12 billion
2012 House Agriculture Committee-passed Farm Bill	-	\$35.1 billion	\$26.6 billion	\$8.5 billion

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://cbo.gov/publication/43417>,
http://www.cbo.gov/sites/default/files/cbofiles/attachments/s3240_hr6083_Stabenow_Ltr.pdf
² <http://cbo.gov/publication/43196>
³ <http://cbo.gov/publication/43486>,
http://www.cbo.gov/sites/default/files/cbofiles/attachments/s3240_hr6083_Stabenow_Ltr.pdf