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Expiration of the 2014 Farm Bill: Some Potential Implications

The farm bill is an omnibus, multi-year law that governs an array of agricultural and food programs. It provides an opportunity for policymakers to periodically address a broad range of agricultural and food issues. The farm bill has typically undergone reauthorization about every five years.

In the past, farm bills have focused primarily on farm commodity program support for a handful of staple commodities—corn, soybeans, wheat, cotton, rice, dairy, and sugar. Farm bills have become increasingly expansive in their topical scope since 1973, when a nutrition title was included. Other prominent additions include conservation, horticulture, and bioenergy programs.

The 115th Congress could establish the future direction of farm and food policy, because many of the provisions in the current farm bill (the Agricultural Act of 2014, P.L. 113-79) expire in 2018.

Recent farm bills have been subject to various developments, such as insufficient votes to pass the House floor, presidential vetoes, or—as in the case of 2008 and 2014—short-term extensions. The 2002 farm bill was the most recent to be enacted before the fiscal year expiration date for some programs.

Timing of Expiration

The timing and consequences of farm bill expiration vary by program across the breadth of the farm bill. There are two principal expiration dates: September 30 and December 31. The most recent farm bill—the 2014 farm bill (the Agricultural Act of 2014, P.L. 113-79)—generally expires either at the end of FY2018 (September 30, 2018), or with the 2018 crop year that varies by crop. A crop year refers to the year in which a commodity is harvested. A marketing year follows the crop year and is the 12 months following harvest during which the crop is typically sold, perhaps under terms of the relevant government program.

Consequences of Expiration

The possible consequences of expiration range from minimal disruption (if the program is able to be continued via appropriations), ceasing new activity (if its authorization to use mandatory funding expires), or reverting to permanent laws enacted decades ago.

Expiration by Fiscal Year

Expiration of a farm bill on a September 30 fiscal year matters for programs with fiscal year authorizations. These programs include certain nutrition, conservation, and trade programs, various agricultural programs excluding the Title I commodity programs, along with many authorizations for discretionary appropriations. Although the Supplemental Nutrition Assistance Program (SNAP) has an authorization of appropriations ending September 30, it (and other related programs in the SNAP account) can continue to operate with an appropriation.

Expiration by Calendar Year

Expiration after October 1, at the end of a calendar year, matters mostly for the farm commodity programs. In the event that the current farm law would expire without replacement legislation or an extension, the first commodity to be affected would be dairy with a crop year that begins on January 1, 2019.

Consequences for Selected Programs

An appropriations act or a continuing resolution can continue some farm bill programs even though a program's authority has expired. Programs using discretionary funding—and programs using appropriated mandatory funding like those in the SNAP account—can continue to operate via appropriations action.

Most farm bill programs with mandatory funding (with the exception of the largest three: SNAP and programs in the SNAP account, farm commodity programs, and crop insurance) generally cease new operations when they expire (e.g., the Conservation Reserve Program (CRP), and Market Assistance Program (MAP)). However, existing contracts under prior-year authority generally could continue to be paid.

The mandatory farm commodity programs would begin reverting to permanent law beginning with the 2019 crop year, for which dairy is the first to be affected, beginning on January 1, 2019. However, payments for the 2018 crop year would continue to be authorized from the 2014 farm bill, including final payments for corn and soybeans that would be made as late as October 2019 after the 2018 crop's marketing year.

Crop insurance is an example of a permanently authorized and funded mandatory program that does not expire.

One mandatory conservation program—the Environmental Quality Incentives Program—was extended through FY2019 prior to expiration, so would not expire like other programs.

Permanent Law

"Permanent law" refers to non-expiring farm commodity programs that are generally from the 1938 and 1949 farm bills. The temporary suspension of permanent law has been included as a section in all recent farm bills. If the suspension of permanent law were to expire at the end of a crop year, the permanent law provisions would take effect unless a new farm bill, or an extension of the most recent act, continues the suspension, or these permanent laws were to be repealed.

The commodity support provisions of permanent law are commonly viewed as being fundamentally different from current policy—and inconsistent with today's farming practices, marketing system, and international trade agreements—as well as potentially costly to the federal government. To date, Congress has not allowed permanent law to take effect. Permanent law provides mandatory support for basic crops through nonrecourse loans. A nonrecourse loan allows the producer the option of forfeiting the crop to the government and keeping the principal amount if market prices are below the loan rate. Permanent law does not authorize more modern support approaches such as loan deficiency payments, payments based on prices or revenue that are decoupled from (not tied to) actual production, or dairy margin protection.

Permanent Law and the "Dairy Cliff"

Dairy is often discussed extensively when farm bill expiration arises, not only because it would be the first commodity to revert to permanent law, but also because it is a good example of the scale of market effects and costs of intervention that could result.

Milk is supported in permanent law by compelling USDA to purchase manufactured dairy products (nonfat dry milk, cheddar cheese, and butter) in sufficient quantities to raise demand in order to raise the farm price of milk to the desired support level. Under permanent law, those mandated purchase prices ($39.08/cwt., based on August 2018 data) are more than double current market prices ($15.40/cwt. as the all milk price in July 2018).

The high purchase price under permanent law could result in the government outbidding commercial markets for a sizeable share of output, and that subsequently could raise the retail price of milk. In December 2012, the possibility that milk prices eventually might double became known as the "dairy cliff," aptly named after the concurrent "fiscal cliff.

In 2013, the While House indicated that the permanent law for dairy could cost the government $12 billion per year and result in milk prices doubling for consumers. At that time, projected outlays for dairy in the 2008 farm bill were about $100 million per year.

Historical Examples of Expiration

As the 2014 farm bill was being developed, there were two expirations; the first was from October 1, 2012 through January 1, 2013, and the second dated from October 1, 2013, through February 6, 2014. Some programs ceased new operations, while others were able to continue. However, neither expiration lasted long enough for the farm commodity programs to revert to a "permanent law" that would have raised support prices and increased federal outlays. On the first occasion, the 2008 farm bill was extended for one year; all provisions that were in effect on September 30, 2012, were extended through FY2013 or for the 2013 crop year as applicable. On the second occasion, no extension was enacted, but a conference agreement was expected, and the Agricultural Act of 2014 (2014 farm bill; P.L. 113-79) was subsequently enacted on February 7, 2014, to cover the 2014-2018 crop years and other programs through September 30, 2018.

Funding for Extensions

The funding source for farm bill programs matters since some are mandatory and some are discretionary. Mandatory programs usually dominate farm bill policy and the debate over the farm bill budget.

Mandatory programs are authorized—and paid for—in a farm bill with multiyear budget estimates when a law is enacted. Budget enforcement is through "PayGo" budget rules, baseline projections, and scores of the effect of proposed bills. The baseline is a projection of future federal spending on mandatory programs under current law; it is a benchmark against which proposed changes in law are measured (the score of a bill). Discretionary programs are authorized in the farm bill for their scope, but receive their funding in annual appropriations acts (or continuing resolutions).

Among the mandatory-funded programs that are usually the focus of the farm bill, there are two subcategories that affect congressional action—some have baseline and some do not have baseline. This makes a difference as Congress writes a farm bill, or if Congress considers an extension to deal with an expiration.

The 2008 farm bill is instructive in this regard. The one-year extension of the 2008 farm bill for 2013 was budget-neutral. Congress was able to extend many of those programs using existing budget resources (baseline) at no additional budgetary cost. However, a subset of farm bill programs that had been authorized with mandatory funding did not continue because they did not have a baseline. To have been continued in an extension, those programs would have needed budgetary offsets to meet PayGo requirements of not adding to the deficit. Providing funding for those programs without baseline would have made the extension more difficult.

CRS Products

CRS In Focus IF10187, *Farm Bill Primer: What Is the Farm Bill?*

CRS Report R45210, *Farm Bills: Major Legislative Actions, 1965-2018*

CRS Report R45275, *The House and Senate 2018 Farm Bills (H.R. 2): A Side-by-Side Comparison with Current Law.*

CRS In Focus IF10780, *Farm Bill Primer: Programs Without Baseline Beyond FY2018*

CRS In Focus IF10783, *Farm Bill Primer: Budget Issues*

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