



Updated September 5, 2023

Farm and Food Support Under USDA's Section 32 Account

Congress created a mandatory appropriation in 1935—the Funds for Strengthening Markets, Income, and Supply (Section 32 of the act of August 24, 1935; 7 U.S.C. 612c). The funds support producers of agricultural commodities that are not supported by other farm support programs, such as the Commodity Credit Corporation (CCC). Commodities include primarily fruits, vegetables, meats, poultry, and fish. Ongoing issues for Congress include the scale of funding and how to direct support to various uses.

Known as Section 32, the fund has three primary purposes identified as clauses in the law: (1) to encourage the export of agricultural products; (2) to encourage the domestic consumption of farm products by diverting surpluses and increasing their use; and (3) to reestablish farmers' purchasing power by making payments to farmers.

A permanent appropriation of 30% of customs receipts on all imports from the prior calendar year fund the Section 32 account. Following imposition of higher tariffs in 2018, this amount has more than doubled to exceed \$27 billion annually. From that appropriation, three primary allocations are made: a transfer to the U.S. Department of Commerce of 30% of customs receipts from fishery products; a statutory amount retained by the U.S. Department of Agriculture (USDA), which increases with inflation, to support farmers and domestic food assistance programs (known as a “reserved spending authority”); and a transfer of the remainder to the USDA Food and Nutrition Service (FNS) for the child nutrition programs. The latter is nearly 93% of the Section 32 permanent appropriation in FY2023 (the blue portions of **Figure 1** and top of **Table 1**). The amount provided for child nutrition in the Agriculture appropriations act incorporates this Section 32 transfer.

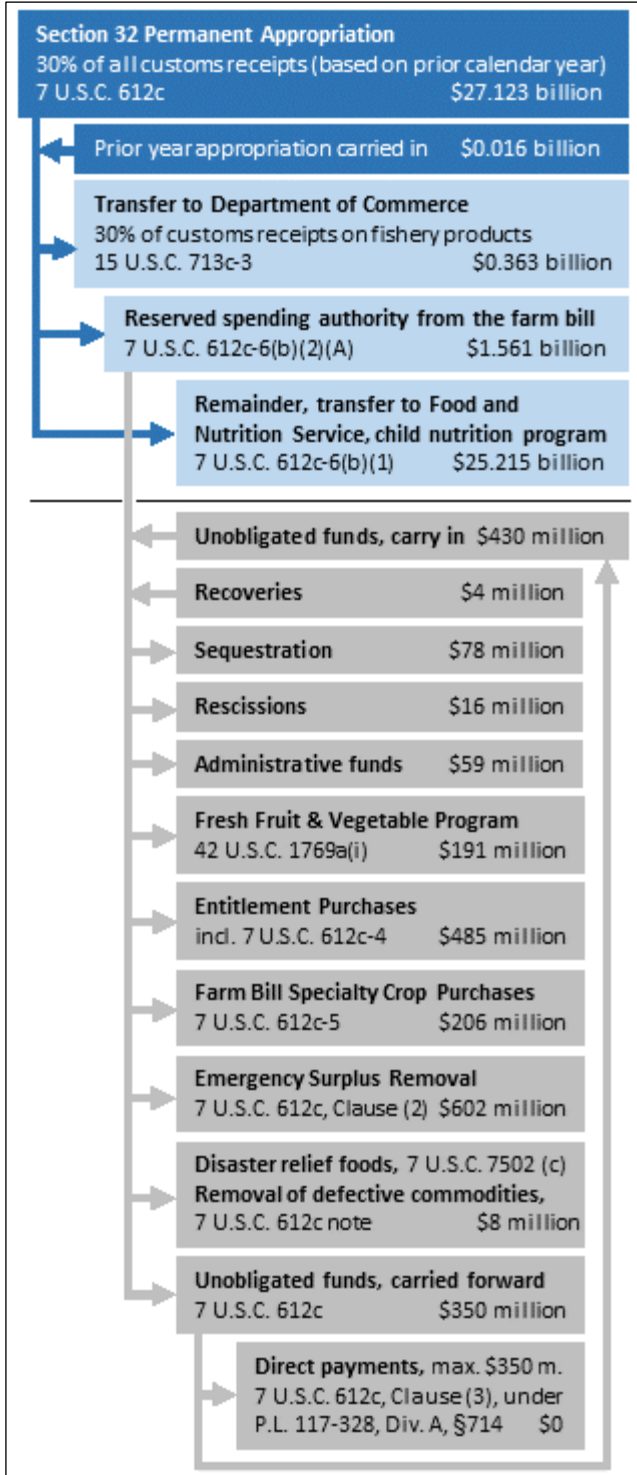
Section 32 Commodity Procurement

Commodities procured with Section 32 funds may be categorized as either entitlement or contingency (both are shown in the gray boxes in **Figure 1** and **Table 1** below the line). USDA's entitlement purchases are mandated by various laws and then planned for what is delivered. For example, various nutrition acts specify an amount that is to be delivered in kind to schools and other entities. Based on local preferences, organizations and USDA develop a purchase plan for the year. USDA's Agricultural Marketing Service (AMS) issues bid specifications, generally for processed products, for deliveries to specific locations.

Contingency purchases (also known as emergency surplus removals) result from USDA's discretion to use Clause 2 to buy surplus commodities, which increases demand in agricultural markets when farm prices are low. USDA may learn about a need through its own agencies or from

industry organizations. Recipients of bonus commodities may include schools, child care centers, and food banks.

Figure I. Flow of Funds in USDA's Section 32 Account
 Amounts are budget estimates for FY2023



Source: CRS using USDA, AMS, FY2024 Congressional Budget Justification; and OMB, FY2024 Budget Appendix.

Table I. USDA's Section 32 Account: Funding and Uses
 Dollars in millions

Description	Authority	FY2021 Actual	FY2022 Actual	FY2023 Estimate	FY2024 Estimate
Permanent appropriation	7 U.S.C. 612c	+22,697	+21,679	+27,123	+30,801
+ Prior year appropriation carried in	—	+37	+6	+16	tbd

Description	Authority	FY2021 Actual	FY2022 Actual	FY2023 Estimate	FY2024 Estimate
- Transfer to Department of Commerce	15 U.S.C. 713c-3	-262	-254	-363	-377
- Reserved spending authority	7 U.S.C. 612c-6 (b)(2)(A)	-1,431	-1,464	-1,561	-1,878
- Transfer to Food and Nutrition Service	7 U.S.C. 612c-6 (b)(1)	-21,040	-19,968	-25,215	-28,545
Detail for reserved spending authority					
Reserved spending authority	7 U.S.C. 612c-6 (b)(2)(A)	+1,431	+1,464	+1,561	+1,878
+ Unobligated balance brought forward	7 U.S.C. 612c	+391	+375	+430	+350
+ Recoveries	—	+67	+36	+4	+0
- Sequestration	2 U.S.C. 901a(6)	-71	-73	-78	-107
- Rescissions	—	0	-11	-16	0
- Administrative expenses	7 U.S.C. 601 et seq.	-54	-59	-59	-59
- Fresh Fruit and Vegetable Program	42 U.S.C. 1769a(i)	-183	-187	-191	-195
- Entitlement purchases	7 U.S.C. 612c-4, with 42 U.S.C. 1755 and 42 U.S.C. 1762a	-485	-485	-485	-485
- 2008 farm bill specialty crop purchases	7 U.S.C. 612c-5	-206	-206	-206	-206
- Emergency surplus removal (contingency)	7 U.S.C. 612c, Clause 2	-447	-348	-602	-773
- Disaster relief foods	7 U.S.C. 7502 (c)	-67	-78	-5	-5
- Removal of defective commodities	7 U.S.C. 612c note	na	na	-3	-3
= Unobligated balance carried forward	7 U.S.C. 612c	375	430	350	396

Source: CRS using USDA Congressional Budget Justification for Agricultural Marketing Service (AMS); and OMB Budget Appendix for USDA.

Notes: Entitlement purchases are specific amounts of foods required to be delivered to schools and entities. Itemization of amounts varies between the USDA and OMB sources. Amounts here reflect a blended summary for policy analysis. The amount of emergency surplus removal for FY2023 is computed to yield the projected carry forward. Amounts for emergency surplus removal in other years are computed from total commodity purchases in the source documents, which do not differentiate some of the uses shown. Amounts may not add due to rounding.

Limitations and Uses of Section 32

Historically, USDA had considerable discretion with Section 32. Congress reduced that discretion in the 2008 farm bill, which established the reserved spending authority to limit USDA spending (P.L. 110-246, §14222). Various farm bills also have required minimum purchases of fruits, vegetables, and other specialty crops. Appropriations acts from FY2012-FY2017 prohibited using Clause 3 authority to make direct payments to farmers for emergencies or disasters. Since FY2018, up to \$350 million of carryover may be used for Clause 3 payments, though this exception has been used minimally. The Clause 3 limit has evolved with the addition of permanent disaster programs, ad hoc disaster assistance, and federal crop insurance.

Section 32 pays for some administrative expenses related to purchasing food and oversight of federal marketing orders. Section 32 also provides a limited amount of disaster relief foods during natural disasters, and may pay to remove a defective commodity that is found to pose a health risk after being distributed by USDA. Unobligated balances less than \$500 million may be carried forward to future fiscal years.

USDA Procurement Beyond Section 32

Besides the Section 32 purchases that are identified in **Figure 1** and **Table 1**, AMS also procures more than \$1.5 billion of food for FNS from the child nutrition appropriation. These purchases fulfil other entitlement requirements in the National School Lunch Act and other Child Nutrition Programs statutes.

Purchases for FNS domestic food programs also may be made by USDA's Farm Service Agency using CCC authority. These may include nonperishable commodities, such as grain products, peanut products, dairy products, and oils. Unlike CCC support, which is normally limited to price-supported commodities expressed in the farm bill (such as dairy, grains and oilseeds, cotton, sugar), Section 32 is less constrained in the variety of commodities that it may support or the manner of support (except within the three broad purposes described in statute).

Jim Monke, Specialist in Agricultural Policy

IF12193

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.