SPECIAL REPORT:

COMPILATION OF RESOURCES FOR FARM BILL RESEARCH

The California Institute has prepared the following document which contains a summary of the most pressing issues in the current farm bill reauthorization debate as well as a bipartisan sampling of recent research reports and papers that congressional staff and other interested parties may find helpful. To the extent possible, the sources were selected in the context of current research from a California perspective. The report has seven sections: (I) Introduction; (II) Importance to California; (III) Specialty Crops, Market Access Program, and Foreign Market Development; (IV) Dairy; (V) Other Commodities; (VI) Supplemental Nutrition Assistance Program; (VII) Additional Resources on Farm Bill Issues. This document does not contain an exhaustive list of research materials. The Institute will continue to monitor the farm bill reauthorization process and update this resource as appropriate. Individuals are welcome to contact the California Institute with any follow up inquiries or requests for additional information.

I. Introduction

First passed during the Great Depression to stabilize food markets and assist farmers and urban families alike, the omnibus “farm bill” has been central to U.S. agriculture and food policy. The two main pillars of the farm bill are the nutrition programs (which include authorization for food stamp funding) and agricultural support programs (which fund disaster mitigation, crop subsidies, and conservation practices, among other provisions). Typically, the legislation is passed in five year cycles, giving policymakers the opportunity to review and update farm and nutrition programs to meet the evolving needs of the American people while establishing some level of certainty for longer term business planning. The most recent five-year farm bill, the Food, Conservation and Energy Act of 2008, expired in 2012; the American Taxpayer Relief Act of 2012 extended most of the provisions of the 2008 bill through September 30, 2013. The House and Senate have designated members of a conference committee to resolve
key differences between the House passed H.R. 2642 and the Senate passed S. 954 in the hopes of authorizing a five year bill; California Representatives Jeff Denham, Jim Costa, Gloria Negrete McLeod, and Ed Royce are members of the conference.

II. Importance to California

With more than 43 percent of the land in California being used for food production, and as one of only five Mediterranean growing regions in the world, California can truly boast the most varied and robust agricultural sector in the nation. Over half the nation's fruits, nuts and vegetables are grown in California alone. California is the leader in the nation for dairy, wine, and many specialty crops, as well as a leader in conservation efforts. With a large and diverse population, the state faces many challenges in maximizing the benefits of this robust agricultural sector in keeping Californians and the nation at large healthy and secure. Supporting agriculture and ensuring that the state's low-income population has access to food is at the cornerstone of the farm bill.

III. Specialty Crops, Market Access Program, and Foreign Market Development

Millions of dollars are allocated to California producers through the Market Access Program (MAP) and Foreign Market Development (FMD), and other grants to support specialty crops. This money supports specialty crop growers in marketing their products internationally, thereby increasing American exports and overall GDP. The California Farm Bureau Federation is pleased programs for specialty crops have been retained in the current bills, including fruits, vegetables and nuts, said Josh Rolph, director of federal policy for the California Farm Bureau. According to a report conducted by IHS Global Insight, the increase in market development spending by government and industry during the 2002-09 period through MAP and FMD considerably increased U.S. Export market share, resulting in $35 in agricultural export gains for every dollar invested in these programs.

IV. Dairy

Milk and dairy products are the leading commodity group in California agriculture, with a value of more than $7.6 billion in 2011. This level of output establishes California as the largest dairy state in the country and a world leader in production. Come January 2014, if

Congress does not pass a farm bill measure, provisions from a 1949 law will go into effect, eventually causing milk prices to soar.

California is not a part of the federal milk price system, and milk prices in the state are instead regulated by the California Department of Food and Agriculture (CDF). The agency offers the following explanation as to a particularly contentious point about the state versus federal system: "There have been many questions over the last several months about differences in federal prices and the prices here in California for milk that is used to make cheese (Class 4b). The federal price is higher due to several factors, including a surplus of milk and a shortage of plant capacity in California compared to states in the federal system. Also, California's distance from the highest-consumption cheese markets in the Northeast results in a lower price here because of transportation costs to that part of the country. And, for that particular class of milk, the federal minimum price is not always required, meaning that processors can and will pay less if market conditions warrant. In California, the minimum price is mandatory, so the price level carries more potential significance."\(^5\) Whether and to what extent the final farm bill will preempt the state's laws about milk production and pricing is unclear at this point.

Milk producers and dairy processors remain deeply divided over whether to use the Senate's Dairy Security Act which offers an insurance program but also a stabilization program that kicks in when milk supplies increase and would curb production, or the House's version which eliminated the stabilization component. The Goodlatte-Scott amendment that specifically eliminated the milk stabilization program is supported by multiple members of the House in a letter written by several representatives to the farm bill conference.\(^6\) Over fifty dairy and farm organizations signed a letter to the government supporting the stabilization programs in the Senate’s bill.\(^7\) The Congressional Research Service projects that the House farm bill’s dairy title will cost $418 million above the baseline, while the Senate dairy program costs $302 million more over the next ten years.\(^8\)

V. Other Commodities

For other commodities, both the Senate and House measures would repeal direct payments to farmers and instead provide for crop insurance options for crop years 2014-2018 based on two types of coverage: price loss programs, for when the price of a commodity falls below a reference price, and a revenue loss program, which pays farmers when revenues fall between either 75-85% or 78-88% of the five-year average. The Senate bill provides for both

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types of coverage, but with less generous price supports. On the other hand, the House bill offers producers the choice between one program type or the other, which allows for more substantial price supports within each type of coverage. Negotiating target prices and the way a farmer's acres are calculated are important issues for the final farm bill.9

A joint statement issued by The National Cotton Council, the USA Rice Federation, and the Southern Peanut Farmers Federation encouraged the passage of a comprehensive farm bill without further delay, countering the joint statement of the National Corn Growers Association, American Soybean Association and U.S. Canola Association that supported an extension of the 2008 farm bill if an agreement could not be reached on the matter of using planted acres as the metric for payment calculations. In California, cotton and rice represent larger cash incomes as commodity groups than corn or soybeans. In 2011, cotton seed and cotton lint generated over $900 million in cash income in California, while rice generated about $850 million; corn generated almost $300 million, and the cash income generated by soybeans was not included in the report.10 California is the second largest rice growing state in the nation, producing more than 2 million tons of rice a year.11 The California Rice Commission supports the House version of the commodities title that allows for a choice between a price loss coverage option and a revenue loss coverage option, among other recommendations that can be found in their letter to the farm bill conferees.12 A report by the Environmental Working Group examined the role of federal subsidies to cotton and rice growers in California in comparison to federal subsidies of other commodities in the state, and concluded that these two commodities receive a disproportionate amount of federal money compared to other commodities in the state, and called for a change.13

VI. Supplemental Nutrition Assistance Program (SNAP)

One of the key differences between the House and Senate bills is the wide gap between their targeted spending reductions for the Supplemental Nutrition Assistance Program (SNAP)—commonly referred to as food stamps. The Senate bill would reduce spending on the program by roughly $4 billion over a ten year period, while the House bill would reduce spending by about $39 billion over a ten year period. As of November 1, 2013, SNAP benefits have been decreased by $5 billion after provisions of the American Investment and Recovery Act expired. According to Stateline, this expiration in benefits resulted in a $457 million cut to California. The report projected that about 11% of California’s population, or 4,168,000 people, would be SNAP recipients in FY 2014. The average benefit per household in FY 2012 was $334, and the cuts

stemming from the November 1 expiration affected 2,285,000 children and 154,000 elderly or persons with disabilities.\textsuperscript{14}

According to the Congressional Budget Office, the SNAP program has seen rapid growth since 2007. More than 47 million people, or one in seven Americans, receive SNAP benefits, rising from about 26 million in 2007. Total spending on SNAP has risen from $35 billion in 2007 to $80 billion in 2012. The CBO attributes the growth in enrollment and spending to the severe recession and slow recovery: SNAP participation and spending automatically rise during periods of economic weakness because people’s incomes are lower. The CBO predicts a decline in the participation in SNAP as the economy improves, but with a substantial lag—from 47 million people in 2012 to 35 million people in 2022. The baseline budget authority for the program in 2013 is roughly $83 million; the Congressional Budget Office projects lower participation and lower costs as the recovery from the 2008 recession strengthens to a baseline budget authority of about $73 billion.\textsuperscript{15}

The spending reductions on the SNAP program in each bill are attained primarily through structural changes to the program that would change eligibility requirements for SNAP recipients. Several states, including California, currently operate a “heat and eat” policy, in which households that qualify for utility deductions under the Low Income Home Energy Assistance Program can automatically qualify for SNAP benefits (known in California as CalFRESH benefits). The House measure would raise the utility deduction that is used to calculate SNAP benefits from an average of $1 to $20, while the Senate bill would raise the utility deduction to $10. The Congressional Budget Office estimates that the House measure to raise the utility deduction to $20 would reduce benefits for about 850,000 households each year, on average, by approximately $90 per household per month.\textsuperscript{16}

The House measure would also limit SNAP eligibility to people receiving cash aid through TANF, Supplemental Security Income disability or state general assistance funds and end states’ ability to provide SNAP benefits to childless single able-bodied adults ages 18 to 50 for more than three months every three years.\textsuperscript{17} Additionally, the House measure would allow states to conduct pilot projects that adopt TANF-type work requirements for able-bodied adults with children (with the exception of those individuals with a federally-qualified disability, individuals with sole responsibility for care of child under age one or under age six if no child care is available). States would have the ability to sanction individuals who do not participate in 20 hours per week of work activities and will share in 50 percent of savings that result from

moving people off SNAP, as well as the ability to conduct drug testing on SNAP applicants as a condition for receiving benefits.\(^{18}\) It is estimated that 346,000 SNAP participants in California would be affected by the proposed change in work requirements.\(^{19}\) The House measure would also prevent the USDA and states from promoting or advertising SNAP.

Advocates of federal nutrition assistance programs argue that the 2013 Farm Bill reauthorization provides legislative opportunities to achieve near-term and longer-term goals that integrate the often siloed perspectives of agriculture, health, and economic vitality. On the economic front, many groups cited a report published by the USDA’s Economic Research Service that found that SNAP expenditures multiply GDP output by a factor of 1.79—in other words, for every dollar spent on SNAP benefits, $1.79 is generated in the overall economy. This finding is based on the Food Assistance National Input-Output Multiplier (FANIOM) model to represent and measure linkages between USDA’s domestic food assistance programs, agriculture, and the U.S. economy.\(^{20}\)

Two USDA Economic Research Service studies determined a cause and effect relationship between the fluctuating values of SNAP benefits and the prevalence of very low food security, a severe range of food insecurity characterized by reduced food intake and disrupted eating patterns. The temporary increase in benefits mandated by the Recovery Act correlated with a decrease in the amount of households facing very low food security. However, as inflation decreased the buying power of benefits, the percentage of SNAP households with very low food security increased from 12.1 percent in 2009 to 13.8 percent in 2011. The results of the two studies suggest that increasing the maximum SNAP benefit by 10 percent ($69 per month for a family of four) would reduce the number of SNAP-recipient households with very low food security by about 22 percent, and reducing the maximum benefit by 10 percent would increase that number by about 29 percent.\(^{21}\)

In 2009, only 53 percent of all eligible persons participated in CalFresh, compared with a national participation rate of 72 percent, making California the state with the lowest SNAP participation rate in the country. California also has the lowest working poor participation rate, with only 36 percent of California’s eligible working poor participating compared to a national rate of 60 percent. The California Food Policy Advocates estimate that if CalFresh were to reach a 100 percent participation rate, Californians would receive an additional $4.9 billion in federal

\(^{18}\) GOP Legislative Digest. [http://www.gop.gov/bill/113/1/hr3102](http://www.gop.gov/bill/113/1/hr3102)


nutrition benefits, which they assert would generate $8.7 billion worth of economic activity in California.22

According to the Public Policy Institute of California and the Stanford Center on Poverty and Inequality, CalFresh is second only to federal refundable tax credits, like the Earned Income Tax Credit, in lowering poverty rates. Using a methodology called the California Poverty Measure (CPM)—which is designed to more accurately capture poverty indicators than the official federal poverty measure—researchers found that without CalFresh benefits, the state’s overall poverty would rise from 22% to 24.2%. The report also concludes that without CalFresh benefits, the child poverty rate would rise from 25.1% to 29.2%.23 A November 2013 U.S. Census Bureau report on the Supplemental Poverty Measure largely supports these findings.24

In their report “Lots to Lose: How America’s Health and Obesity Crisis Threatens Our Economic Future,” the Bipartisan Policy Center examined the role of federal food and farm policy in efforts to minimize escalating obesity rates and ensuring adequate, nutritious, and affordable food. The report advocated for a federal policy that supports both a strong farm sector and a healthy population, against a background of rising chronic disease rates, high health care costs, tight budgets, and a rapidly changing agricultural sector.25 The California Department for Food and Agriculture also published a report entitled “Improving Food Access in California,” in which the authors detailed the obstacles that many low-income, inner city, rural, and other subsets of the population face in obtaining healthy food. Though healthy foods are grown in abundance in California, challenges in distribution, lack of retail outlets in some communities, and affordability of food contributes to the declining public health of many communities. Coordinating federal and state nutrition programs is a major strategy recommended in the report to improve quality food access and combat declining public health.26

The California Department of Food and Agriculture issued the following recommendations: “(1) maintain nutrition funding at current levels, maintaining existing programs, including Supplemental Nutritional Assistance Program (SNAP, or CalFresh in California), Commodity Supplemental Food Program, TEFAP, school lunches, and fruits, vegetables and tree nuts; (2) remove funding and eligibility barriers to food and nutrition programs by more closely aligning criteria for the various programs and refrain from adding additional barriers; (3) remove legal barriers that prevent the exchange of data among programs,

thus streamlining application processing and simplifying multi-program administrative requirements, while protecting privacy rights of applicants and recipients; (4) facilitate efforts to reach seniors, who are underserved, i.e., USDA’s Food and Nutrition Service should partner with the Social Security Administration to expand Combined Application Projects to include social security recipients; (5) provide increased and new incentives for purchasing foods that have nutritional value, eliminate food deserts and serve minorities, or are locally or regionally sourced, i.e., through expansion of the Healthy Incentives Pilot and by restoring funding for the Farmer’s Market Promotion Program; (6) provide for program flexibility within the Specialty Crop Block Grant Program, Farmers’ Market Promotion program and other local food marketing programs to allow direct federal funding of nutritional incentives to increase access to nutritious food; (7) educate the public on the nutritional value and safety of our foods; (8) encourage farmers’ markets and other local and regional food providers to accept electronic benefits transfer cards and to locate or distribute in low-income areas; and (9) modify the Commodity Food Program and Department of Defense program to allow schools to use their line of credit for feeding programs to purchase healthy produce, dairy and other products from local U.S. farmers.”

VII. Additional Resources on Farm Bill Issues:

- Congressional Budget Office Report on H.R. 2642:
  http://www.cbo.gov/publication/44414

- Congressional Budget Office Report on S.954:
  http://www.cbo.gov/publication/44248

*Note: Additional Congressional Budget Office reports are still pending as of the publication of this report.

- House Committee on Agriculture Summary of H.R. 2642:

- Senate Committee on Agriculture, Nutrition, and Forestry Summary on S. 954:


