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Ranking Agricultural Commodities by Farm Payments and Federal Food Aid Purchases

Jim Monke
Analyst in Agricultural Policy
Resources, Science, and Industry Division

Summary

The federal government affects the supply and demand of various agricultural goods through farm income support and food donation programs. The U.S. Department of Agriculture (USDA) provides payments to farmers and landowners for producing certain program commodities. Ranking commodities by the level of support depends on the criteria and time period. Over FY2003-FY2005, USDA expects to spend about \$11 billion annually on farm payments. In total outlays, feed grains receive the most support (29% of the total), followed by wheat, dairy, and cotton (15%-18% each). However, using different criteria based on the proportion of crop revenue from government payments, rice, peanuts, and wool and mohair receive a higher percentage of revenue from the government (42%-51%) than cotton, wheat, and feed grains (12%-25%).

USDA also purchases some of these program commodities and other non-program commodities and processed products for use in domestic and international food aid programs. In FY2003, USDA purchased commodities totaling \$1.5 billion for domestic food assistance, and \$1.3 billion for international food aid. Beef was the most-purchased commodity for domestic programs (15% of the total), followed by cheese (14%) and chicken (9%). The child nutrition and school lunch programs were significant users of these commodities. Wheat is the most-purchased commodity for international food aid programs (33%). This report will not be updated.

The federal government intervenes in agricultural commodity markets most visibly by making income support payments to the growers of certain commodities and purchasing those and other commodities for nutrition assistance programs. These actions affect both the supply and demand of certain commodities, and can be central to debates over equitable or preferential treatment by commodity and food aid interest groups.

Commodity-specific payments and purchases result from a combination of statutory directives and administrative determinations by USDA. In this report, "payment" refers to the income support programs for farmers who grow, or have a history of growing, certain eligible crops. Commodity "purchase" refers to the government acquisition of crop or livestock products for food distribution and nutrition programs.

Congress specifies in statute the commodities eligible for payments and the payment formulas (see, e.g., the 2002 farm bill, P.L. 107-171). Market conditions determine actual outlays. Provisions for commodity purchases in food assistance programs are more general, and USDA has more discretion over the basket of items purchased (see, e.g., Section 14 of the Richard B. Russell National School Lunch Act, 42 U.S.C. 1751 et seq., and Section 32 of the Act of August 24, 1935, 7 U.S.C. 612c). Reauthorization of various child nutrition authorities, including the commodity distribution programs, is under consideration by the 108th Congress (H.R. 3873 and S. 2507).¹

Payments for Farm Income Support

Background. Federal law has authorized farm income and commodity support programs for over 70 years, using various approaches and covering various commodities. Congress alters key provisions of these laws through multiyear farm bills or appropriations acts. The most recent revision of the commodity payments is Title I of the 2002 farm bill (P.L. 107-171, the Farm Security and Rural Investment Act of 2002).

The “program commodities” currently include wheat, feed grains (corn, sorghum, barley, oats), cotton, rice, soybeans, other oilseeds (sunflower seed, rapeseed, canola, safflower, flaxseed, mustard seed, crambe, and sesame seed), wool, mohair, honey, dry peas, lentils, and chickpeas. Dairy, sugar, and tobacco are also eligible for other support.²

For example, depending on which of the program crops farmers grow or have a history of planting, farmers can receive three types of payments:

- *Direct payments* are unrelated to (decoupled from) current production or current market prices. The payment is made based on each farm’s historical number of acres planted and yields.
- *Counter-cyclical payments* make up the difference between a crop’s statutory target price and the season-average market price, if the market price is lower. As with direct payments, farmers are not obligated to grow the crop to earn counter-cyclical payments.
- *Marketing loans* provide minimum price guarantees on the crop actually produced through nonrecourse loans, discounted repayment options, and loan deficiency payments (LDPs).

Ranking. Any ranking of commodity payments depends on the unit of measurement. For example, payments could be ranked by total dollars spent, dollars per bushel, dollars per acre, dollars per farm, or percent of crop receipts. **Table 1** presents net outlays by the USDA Commodity Credit Corporation (CCC), ranked by total dollars allocated to each commodity. Direct payments, counter-cyclical payments, and marketing loan benefits to farmers comprise most of these amounts. Because spending can vary greatly from year to year as market conditions change, the table includes actual outlays

¹ For more on child nutrition, see CRS Report RL31577, *Child Nutrition and WIC Programs*.

² For more information about the farm programs, see CRS Report RS21779, *Grains, Cotton, Oilseeds and Peanuts: Payments Under the 2002 Farm Bill*. For dairy programs, see CRS Report IB97011, *Dairy Policy Issues*. For sugar, see CRS Report IB95117, *Sugar Policy Issues*. For tobacco, see CRS Report 95-129, *Tobacco Price Support*.

for FY2003 (the first year under the new farm bill) and USDA estimates for FY2004-FY2005. The average from those years is used for ranking.

**Table 1. Farm Commodity Payments,
Ranked by Average Spending Over FY2003-FY2005**
(\$ million)

Commodity	FY2003 actual	FY2004 est.	FY2005 est.	Average FY03-FY05	Percent of Total
Feed grains ¹	1,572	3,778	4,416	3,255	29%
Wheat	1,118	1,796	3,176	2,030	18%
Dairy	2,494	1,919	1,237	1,883	17%
Cotton, upland and ELS	2,854	1,215	851	1,640	15%
Rice	1,279	1,198	1,327	1,268	11%
Soybeans, minor oilseeds	949	601	656	735	6.5%
Peanuts ²	341	606	332	426	3.8%
Tobacco	179	20	-100	33	0.29%
Wool and mohair	20	14	14	16	0.14%
Honey	1	6	-0	2	0.02%
Sugar	-84	-25	0	(36)	-0.32%
Total³	10,723	11,128	11,909	11,253	100%

Source: Compiled by CRS using USDA "Commodity Estimates Book for the FY2005 President's Budget" (February 24, 2004), at [<http://www.fsa.usda.gov/dam/bud/bud1.htm>].

¹ Includes corn, grain sorghum, barley, and oats. Corn accounts for about 90% of the amount.

² Excludes peanut quota buyout payments of \$1.2 billion in FY2003 and \$19 million in each of FY2004-FY2005, but includes program startup "costs" such as building inventory and loan portfolio.

³ Excludes Conservation Reserve Program (CRP), export programs, and disaster assistance.

In total dollars, feed grains receive the highest commodity payments over the FY2003-FY2005 period, accounting for \$3.2 billion (or 29%) out of \$11 billion on average annually.³ Wheat is second at \$2 billion (or 18%), followed closely by dairy at \$1.9 billion (or 17%) and cotton at \$1.6 billion (or 15%). However, this ranking is sensitive to the years chosen. Using a two-year average of FY2003-FY2004, the ranking of the top four commodities changes to feed grains, dairy, cotton, and wheat.

Total outlays reflect the size of the program in the federal budget, but not necessarily the relative impact among commodities. For example, the "program crops" are tied to a base acreage and can be ranked by the average payment per acre. The left side of **Table 2** reveals a much different ranking, with rice and peanuts receiving over \$200/acre in payments, followed by cotton at \$87/acre. Feed grains, wheat, and soybeans all fall below \$30/acre. This ranking helps explain why rice and cotton growers are affected more often by payment limitations⁴ than other commodity growers. However, it fails to account for costs of production, which may be significantly higher for certain commodities and may be used to support arguments for higher payments.

³ The \$11 billion figure includes only payments associated with a single commodity, and does not include other activities such as the Conservation Reserve Program (CRP), export programs, and disaster assistance. Over FY2003-FY2005, USDA expects average total spending by the Commodity Credit Corporation (CCC) of about \$15.7 billion.

⁴ Payment limits restrict the dollar amount of farm subsidy that an individual can receive. Congress sets the limits, most recently in the 2002 farm bill, and the issue continues to be controversial among commodity groups. For more information, see CRS Report RS21493.

Table 2. Alternative Rankings of Farm Commodity Payments, Average Annual Amounts for FY2003-FY2005

Criterion: Government Payment per Acre		Criterion: Government Payments as a Percent of Gross Income	
Program crop	\$/acre	Commodity	% of Gross Income
Rice	282	Rice	51%
Peanuts	278	Peanuts	44%
Cotton	87	Wool and mohair	42%
Feed grains	29	Cotton	25%
Wheat	27	Wheat	23%
Soybeans	13	Feed grains	12%
		Dairy	8.3%
		Soybeans	4.1%
		Tobacco	2.0%
		Honey	1.4%

Source: Computed by CRS using data in the USDA "Commodity Estimates Book."

A more comparable ranking is the percentage of gross income (farm sales plus government payments) that comes from the government. The right side of **Table 2** shows that about half of gross income for rice is government payments, and over 40% for peanuts and wool and mohair. Cotton and wheat receive about a quarter of their income in government payments, feed grains about 12%, dairy about 8%, and soybeans 4%.

Thus, in the current time period, feed grains are clearly the largest program commodity in total spending. However, programs for other commodities that are less expensive in total outlays, such as rice, peanuts, and wool and mohair, provide the largest shares of gross income and may have more of an impact on individual growers.

Purchases for Food Assistance Programs

The USDA buys commodities or donates them from government inventories to supplement domestic food aid programs and for international food relief. In addition, such purchases also have the dual role of supporting farm income by increasing demand for the commodity and removing surplus stocks from the market. This report includes only direct USDA purchases of commodities for in-kind distribution.

Domestic Assistance. Nine domestic feeding programs currently incorporate commodity purchases, including the National School Lunch Program (NSLP), Child and Adult Care Food Program (CACFP), Summer Food Service Program, Commodity Supplemental Food Program (CSFP), The Emergency Food Assistance Program (TEFAP), Food Distribution Program on Indian Reservations (FDPIR), Nutrition Service Incentive Program (NSIP), Disaster Assistance Program, and the Summer Camps, Charitable Institutions, Bureau of Prisons, and VA Hospitals programs.

The Farm Service Agency (FSA), Agricultural Marketing Service (AMS), and Food and Nutrition Service (FNS) work together to purchase and provide commodities in the quantity needed to meet planned levels of assistance. In addition, USDA provides bonus commodities that are acquired through surplus removal programs.

Schools receive the bulk of federally donated commodities. They and other providers are “entitled” to a specific dollar value of commodities based on the number of meals they serve. The inflation-indexed commodity entitlement is a minimum of 15¾ cents a meal for the 2003-2004 school year. The “bonus” commodities donated from USDA’s discretionary purchases (by the Section 32 program) are in addition to the planned “entitlement” purchases requested by the feeding programs.⁵

Table 3 presents the most-purchased commodities for all of the above-named U.S. domestic food assistance programs in FY2003, ranked by dollars.⁶ Beef was the most-purchased commodity, accounting for \$212 million (or 15%) of \$1.5 billion in commodity purchases. Cheese was a close second at \$207 million (or 14%), and chicken a distant third at \$128 million (or 9%).

**Table 3. Purchases for U.S. Domestic Food Aid
for FY2003 Ranked by Commodity Value**

Commodity	Value (\$ million)	Percent of Total	Commodity	Value (\$ million)	Percent of Total
Beef	212.4	15%	Raisins	20.8	1.4%
Cheese	206.7	14%	Tuna	19.1	1.3%
Chicken	128.0	8.8%	Pineapples	18.7	1.3%
Pudding	71.8	4.9%	Fruit cocktail, mix	18.0	1.2%
Turkey	71.2	4.9%	Flour and farina	15.5	1.1%
Peaches	69.2	4.8%	Cereal	15.4	1.1%
Nonfat dry milk	52.4	3.6%	Apricots	14.8	1.0%
Fresh produce pilot	51.8	3.6%	Walnuts	14.1	1.0%
Pork	47.7	3.3%	Oranges	13.8	1.0%
Potatoes	40.3	2.8%	Noodles	12.4	0.9%
Tomatoes	31.5	2.2%	Bison	12.1	0.8%
Beans	30.9	2.1%	Eggs	11.3	0.8%
Pears	30.8	2.1%	Almonds	10.5	0.7%
Fruit-nut mix	28.2	1.9%	Salmon	8.5	0.6%
Peanuts	28.1	1.9%	Rice	8.0	0.6%
Apples	27.0	1.9%	Spaghetti sauce	7.9	0.5%
Corn, cornmeal	25.9	1.8%	Other ¹	79.8	5.5%
continued...			Total	1,454.4	100%

¹ Other (items less than 0.5%) includes, in order: ham, asparagus, peas, shortening, vegetable oil, salsa, lamb roast, strawberries, grape juice, produce pilot, carrots, cran-apple juice, plums, catfish, soup, oats, lunch meat, strawberry cups, infant formula, sweet potatoes, grits, butter, grapefruit, raspberry puree, blackberries, syrup, spinach, prunes, pumpkin, and mixed vegetables. Source: USDA Food and Nutrition Service (FNS).

International Assistance. Over 50 types of commodities including grains, oilseeds, dairy products, fruits and vegetables, and blended foods have been provided

⁵ For more on domestic feeding programs, see CRS Report RL31577, *Child Nutrition and WIC Programs*, and CRS Report RL30164, *Emergency Food Assistance Programs*. For more on USDA bonus purchases, see CRS Report RS20235, *Farm and Food Support Under Section 32*.

⁶ Although purchases for food assistance programs vary from year to year, the variation is not as great as for the farm payments. Thus, only one year is presented for the food aid programs.

through the U.S. food aid programs. Commodity composition varies over time due to country needs and commodity availability.

The Agricultural Trade Development and Assistance Act of 1954, the Food for Progress Act of 1985, and the Agricultural Act of 1949 established the three main U.S. food aid programs: Public Law 480 (P.L. 480), Food for Progress (FFP), and Section 416(b). Two other international food aid programs are the Bill Emerson Humanitarian Trust, and the Food for Education program.

P.L. 480, also known as the Food for Peace Program, provides U.S. agricultural commodities to countries with differing economic development levels. Food for Progress provides commodities to developing countries that are emerging democracies. Section 416(b) provides donations of food commodities acquired by the Commodity Credit Corporation (CCC) through price support programs. The Bill Emerson Humanitarian Trust is a commodity reserve used to meet emergency humanitarian food needs in developing countries. The Food for Education program provides food to improve nutrition for mothers, infants, preschoolers, and schoolchildren in developing countries.⁷

Table 4 presents the most-purchased commodities by the U.S. for international food aid programs in FY2003, ranked by dollars. Wheat is the most-purchased commodity, accounting for \$420 million (or 33%) of \$1.3 billion in U.S. international food aid during FY2003. It has been the highest-value item in this listing for more than a decade.

Table 4. Purchases for U.S. International Food Aid for FY2003, Ranked by Commodity Value

Commodity	Value (\$ million)	Percent of Total	Commodity	Value (\$ million)	Percent of Total
Wheat and flour	420.9	33%	Bulgur	49.7	3.9%
Vegetable oil	258.0	20%	Beans	45.8	3.6%
Nonfat dry milk	141.3	11%	Lentils	35.5	2.8%
Corn and meal	112.0	8.7%	Soybeans & meal	31.4	2.4%
Rice	81.9	6.4%	Peas	24.4	1.9%
Corn-soy blend	57.7	4.5%	Other ¹	29.4	2.3%
continued...			Total	1,288.0	100%

Source: USDA Foreign Agricultural Service (FAS), "Food Aid Reports" [<http://www.fas.usda.gov/food-aid.html>]. Includes Public Law 480, Section 416(b), Food for Education, and Food for Progress.

¹ Other (items 1% or less) includes, in order: wheat-soy blend, tallow, dehydrated potatoes, soy-fortified grits, buckwheat, textured soy protein, canned salmon, and corn-soy milk.

⁷ For more information about international food aid, see CRS Report RL31927, *Trends in U.S. Foreign Food Aid, FY1992-FY2002*.