

# ISSUE BRIEF

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## A Comparison of the House and Senate Farm Bills

*Daren Bakst and Rachel Sheffield*

Congress continues to treat agriculture as if it were 1933 instead of 2013. Agriculture is a cutting-edge sector of the economy that continues to innovate and produce more food with fewer resources.

Yet, every five years when the farm bill is up for renewal, many legislators, including those who claim to be pro-free market and limited government, push a farm bill that is a model of central planning. Agriculture policy continues to emphasize price supports, supply restrictions, import quotas, government-subsidized international marketing programs for major corporations, and much more. Quite simply, almost any subsidy that can be dreamed of exists in one form or another in the current farm bill.

The farm bill should not be a “holiday” for legislators from free market and limited government principles. Through sound free market reforms, farmers will benefit by having government out of their way so they can have the freedom to make decisions based on market conditions. They will be able to use their land as they see fit and not be harmed by government incentives and controls. Consumers will have choices that best reflect demand and enjoy prices that

reflect open competition, not artificial constraints on supply.

Further, food stamps should be reformed to promote self-sufficiency among able-bodied adults. Adults who are able should be required to work, prepare for work, or at least look for work in exchange for receiving food stamp assistance. This principle of reciprocal obligation does not currently exist in the program. Additionally, loopholes that have led to an increase in the food stamp rolls should be closed.

**Achieving Reform.** The House and Senate are expected to meet soon to work out differences in their farm bills—or more appropriately titled, their food stamp bills. To achieve any substantive reform, agriculture policy and food stamps must be separated into different bills now and in the future. For political reasons alone, food stamps and agriculture policy have been combined into farm bills. By getting urban legislators who tend to support food stamps and rural legislators who tend to support farm programs into a coalition, Congress has enacted farm bills without proper consideration of these programs on their merits. Real reform will only be achieved when Congress takes the time to address these issues independently.

The following table compares the bills, listing some of the important provisions along with recommended reforms for a sound farm bill.

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## A Comparison of the House and Senate Farm Bills (Page 1 of 4)

*The House and Senate are expected to meet soon to work out differences in their farm bills—or more appropriately titled, their food stamp bills.<sup>1</sup> The following table compares the bills, listing some of the important provisions along with brief statements of recommended policy. A sound farm bill would require many reforms<sup>2</sup> and be far different than the current farm bills.*

### Prerequisite for Reform: Procedural Reforms

REFORM	HOUSE BILL	SENATE BILL	RECOMMENDATION
<b>Separation:</b> The farm/food stamp bill comprises both food stamps and agriculture programs. Separation would split up the programs so that food stamps and agriculture programs could be considered on their own merits.	Separates food stamps from agriculture programs in the future by staggering authorization periods: Food stamps are authorized for three years and agriculture programs for five years. <sup>3</sup>	There is no separation.	Separation is essential to real reform of food stamps and agriculture programs. Staggered authorization periods help to ensure separation in the future. The time difference between the authorization schedules should be at least two years. A one-year difference would risk overlap in the event of extensions.
<b>New Permanent Law:</b> Farm bills have generally been authorized for five years. After five years, many of the farm bill programs expire and require reauthorization. Programs that do not expire, or sunset, are referred to as permanent law.	Creates new permanent law, including the sugar program, shallow loss program, and reference price program. <sup>4</sup>	Creates no new permanent law.	New permanent law should not be created, especially for major programs. Congress is much less likely to review agriculture programs if they are permanent law.

### Agriculture Policy: Substantive Reforms

REFORM	HOUSE BILL	SENATE BILL	RECOMMENDATION
<b>Direct Payments:</b> These are payments to farmers of select commodities based on past production and a payment formula in statute. Farmers receive subsidies even if they do not plant a single seed. The program has become indefensible, and its repeal has generally been considered a given for years. In 2011, the American Farm Bureau Federation adopted a resolution to get rid of direct payments. <sup>5</sup>	Repeals direct payments. (H.R. 2642, §1101)	Repeals direct payments. (S. 954, §1101)	Direct payments should be repealed.
<b>Crop Insurance:</b> The most expensive farm program subsidizes about 62 percent of the premiums that farmers pay for crop insurance. <sup>6</sup>	Expands the crop insurance program. (H.R. 2642, §11001-11025)	Expands the crop insurance program. (S. 954, §11001-11038) Makes a very modest reform that would reduce premium subsidies for farmers with an adjusted gross income of \$750,000 or more. (§11033)	Private risk-management solutions should start replacing the massive government-subsidized system. Some modest steps toward reform that would save significant taxpayer dollars include a cap of no more than \$40,000 on the total amount of premium subsidies farmers can receive and reducing the percentage of the premium subsidy to 2000 levels (37 percent), that is, before the Agricultural Risk Protection Act went into effect. <sup>7</sup>

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### Agriculture Policy: Substantive Reforms (continued)

REFORM	HOUSE BILL	SENATE BILL	RECOMMENDATION
<p><b>Shallow Loss:</b> This program would subsidize even minor (i.e., shallow) losses for farmers.<sup>8</sup></p>	<p>Creates a shallow loss program that provides payments to farmers when revenues fall below 85 percent of recent average prices, which have been at historic highs.<sup>9</sup> (H.R. 2642, §1107)</p>	<p>Creates a shallow loss program that provides payments to farmers when revenues fall below 88 percent of recent average prices, which have been at historic highs. (S. 954, §1108)</p>	<p>Shallow loss programs should not be added to the farm bill. There is no justification for covering minor losses. These subsidies would have little to do with providing a safety net and everything to do with helping to guarantee revenue. Even the American Farm Bureau Federation wrote in a 2011 letter to the House and Senate Agriculture Committees, "A shallow loss program is a drastic departure from any previous farm policy design. Federal farm programs have traditionally existed to help farmers survive large, systemic losses. Shallow losses, however, can arise from a variety of systemic or individual sources and do not typically jeopardize the survival of a farm operation."<sup>10</sup></p>
<p><b>Reference Price Program:</b> Farmers receive payments when commodity prices fall below a certain threshold level (i.e., reference price).<sup>11</sup></p>	<p>Creates a program that triggers payments when prices fall below a fixed reference price. For commodities such as peanuts and rice, payments are effectively guaranteed to farmers as soon as the law becomes effective because the reference prices are so high.<sup>12</sup> (H.R. 2642, §1107)</p>	<p>Creates a program that triggers payments when prices fall below a certain formula based on recent average prices, except for peanuts and rice, which have fixed prices in the law. The prices for peanuts and rice are lower than the House bill, but still very generous. (S. 954, §1107)</p>	<p>Reference price programs should not be added to the farm bill. This program is another unnecessary and costly subsidy that in many instances does not help to cover deep losses, as it has been sold, but would provide guaranteed payments.</p>
<p><b>Costs of Shallow Loss and Reference Price Programs:</b> Since the potential costs are contingent on how commodity prices change, there is a real chance that if commodity prices return to long-term averages, the costs could be far greater than those projected by the Congressional Budget Office (CBO).</p>	<p>Creates a cap on potential costs by limiting costs to 110 percent of projected CBO costs (through 2020). (H.R. 2642, §1107(e))</p>	<p>No cap on costs.</p>	<p>These programs are a blank check that could shatter any CBO projections. Getting rid of a government program (i.e., direct payments) does not necessitate creating another one, much less two programs. While a cost cap is better than nothing, Congress would likely remove the cap if it appeared that more taxpayer money was required.</p>
<p><b>Sugar Program:</b> This program artificially distorts market prices through means such as price guarantees, restrictions on the amount of sugar that can be sold, and import quotas on sugar.<sup>13</sup></p>	<p>Keeps the program intact. (H.R. 2642, §1301)</p>	<p>Keeps the program intact. (S. 954, §1301)</p>	<p>The sugar program should be repealed. Sugar prices in the U.S. have consistently been at least two to three times higher than world prices. According to the U.S. Department of Commerce, "For each one sugar growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost."<sup>14</sup></p>

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### Agriculture Policy: Substantive Reforms (continued)

REFORM	HOUSE BILL	SENATE BILL	RECOMMENDATION
<b>Dairy:</b> The program tries to limit supply to maintain artificially high prices through various subsidies, including price and income supports.	Repeals some of the existing subsidies but creates a new dairy margin insurance program. (H.R. 2642, §1401-1421)	Repeals some subsidies, creates a new dairy margin insurance program, and also would limit how much milk is produced through what is referred to as “supply management.” <sup>15</sup> (S. 954, §1401-1491)	The dairy program should be repealed and no new subsidies added.
<b>Tying Crop Insurance to Conservation Compliance:</b> There is a proposal to require crop insurance participants to also participate in conservation compliance. Farmers that participate in conservation compliance may convert highly erodible land only if they meet certain government standards and are prohibited from converting wetlands to crop production. <sup>16</sup>	Does not connect crop insurance to conservation compliance.	Connects crop insurance to conservation compliance. (S. 954, §2609)	Farmers are the best stewards of their property. The federal government should reform crop insurance and should not interfere with property rights and land use decisions to address some <i>possible</i> harms that overly generous crop insurance subsidies may have encouraged in the first place. <sup>17</sup>
<b>Market Access Program:</b> The federal government has spent more than \$3 billion over the past 35 years to help multinational agricultural businesses with their international marketing. <sup>18</sup>	Keeps program intact. (H.R. 2642, §3102)	Keeps program intact. (S. 954, §3102)	Taxpayers should not be forced to pay about \$200 million a year to fund overseas marketing activities that businesses could do on their own. <sup>19</sup>
<b>Catfish Inspection:</b> In the 2008 farm bill, catfish inspection was moved from the Food and Drug Administration (FDA) to the U.S. Department of Agriculture (USDA), even though the FDA inspects seafood.	Repeals USDA catfish inspection program. (H.R. 2642, §12107)	Takes no action.	The USDA program, which would cost taxpayers an additional \$14 million annually, should be repealed. <sup>20</sup> The Government Accountability Office has not minced words in assessing this program: “[The USDA catfish program] would result in duplication of federal programs and cost taxpayers millions of dollars annually without enhancing the safety of catfish intended for human consumption.” <sup>21</sup>
<b>Delay Food Safety Modernization Act (FSMA) Rules:</b> Congress required the FDA to develop and implement numerous FSMA rules in a rushed fashion. <sup>22</sup> Some of the new rules, such as the produce safety rule, have a direct impact on farmers. <sup>23</sup>	Delays the enforcement of the FSMA rules until there have been economic and scientific analyses of the rules. (H.R. 2642, §12321)	Takes no action.	The magnitude and impact of the FSMA rules make them too important to be rushed. The FDA and the public should have time to provide Congress feedback on the law before any of the rules can be finalized. This would allow Congress to consider whether changes are needed both in terms of time and substance.
<b>Christmas Tree Tax:</b> In November 2011, the Obama Administration issued a stay of a proposed new program that would force Christmas tree producers and importers to fund a Christmas tree promotion program. <sup>24</sup>	Repeals the stay so that this new tax could be imposed. (H.R. 2642, §10015)	Takes no action.	The Obama Administration properly issued the stay and did so because of public outrage. These check-off programs are simply a means to strong-arm parties to fund something they do not support. These taxes will also be passed on to consumers. The Christmas tree tax should not be imposed and there should be a moratorium on any new check-off programs.

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### Food Stamp Policy: Substantive Reforms

REFORM	HOUSE BILL	SENATE BILL	RECOMMENDATION
<p><b>Broad-Based Categorical Eligibility:</b> This policy allows individuals receiving Temporary Assistance for Needy Families (TANF) cash assistance or services, or other cash welfare programs, to be automatically eligible for food stamps. This policy allows states to bypass asset tests and loosens income limits.</p>	<p>Ends broad-based categorical eligibility. (H.R. 2642, §4005)</p>	<p>Takes no action.</p>	<p>Broad-based categorical eligibility should be ended.<sup>25</sup></p>
<p><b>“Heat &amp; Eat” Loophole:</b> Some households that receive benefits from the Low Income Heat and Energy Assistance Program (LIHEAP) can become eligible for higher food stamp benefits. Thus, to artificially boost food stamp benefits per household, states have mailed out LIHEAP checks in minimal amounts.</p>	<p>Households would not be eligible for higher benefits unless they receive at least \$20 in LIHEAP assistance. (H.R. 2642, §4007)</p>	<p>Households would not be eligible for higher benefits unless they receive at least \$10 in LIHEAP assistance. (S. 954, §4003)</p>	<p>The “Heat &amp; Eat” loophole should be closed.</p>
<p><b>Mandatory Work Requirement:</b> This would require able-bodied adults to work, prepare for work, or look for work in exchange for receiving food stamp assistance.</p>	<p>Includes a state option to implement pilot work programs for able-bodied adults. (H.R. 2642, §4039)</p>	<p>Includes no work requirement.</p>	<p>States that receive federal food stamp dollars should be required—not simply given the option—to implement a mandatory work requirement for able-bodied adults to work, prepare for work, or at least look for work in exchange for receiving assistance.</p>
<p><b>Drug Testing:</b> This would require food stamp applicants and recipients to undergo a test for illegal drug use.</p>	<p>Allows states to implement drug-testing programs for food stamp recipients. (H.R. 2642, §4036)</p>	<p>Takes no action.</p>	<p>States that receive federal food stamp dollars should be required to implement drug testing for food stamp recipients.</p>

## Endnotes

1. The latest House bill is the Federal Agriculture Reform and Risk Management Act of 2013, H.R. 2642, 113th Cong., 1st Session, September 28, 2013. The latest Senate bill is the Agriculture Reform, Food, and Jobs Act of 2013, S. 954, 113th Cong., 1st Session, as passed by the Senate on June 10, 2013.
2. See "Requirements for Farm Bill Reform in the House," Heritage Foundation *Factsheet* No. 123, July 9, 2013, <http://www.heritage.org/research/factsheets/2013/07/requirements-for-farm-bill-reform-in-the-house>.
3. See, e.g., H.R. 2642, §4024, one provision that addresses the three-year authorization. See also "H.R. 3102, Nutrition Reform and Work Opportunity Act of 2013," Congressional Budget Office, September 16, 2013, <http://www.cbo.gov/publication/44583> (accessed October 2, 2013).
4. For the sugar program (H.R. 2642, §1301), the permanent law is created by covering "each succeeding crop year" as opposed to setting a final year. Similar language exists for shallow loss (revenue loss coverage) and reference price programs (price loss coverage) in §1107 of the bill.
5. Dan Piller, "Farm Bureau Adopts Iowa Policy on Direct Payments," *DesMoinesRegister.com*, January 11, 2012, <http://blogs.desmoinesregister.com/dmr/index.php/2012/01/11/farm-bureau-adopts-iowa-policy-on-direct-payments/article> (accessed October 2, 2013).
6. U.S. Government Accountability Office, *Crop Insurance: Savings Would Result from Program Changes and Greater Use of Data Mining*, GAO-12-256, March 2012, <http://www.gao.gov/assets/590/589305.pdf> (accessed October 2, 2013).
7. *Ibid.*
8. For a detailed discussion of crop insurance, shallow loss, and reference price programs in the bills, see Daren Bakst, "Proposed New Farm Programs: Costly and Risky for Taxpayers," Heritage Foundation *Backgrounder* No. 2815, June 14, 2013, <http://www.heritage.org/research/reports/2013/06/proposed-new-farm-programs-costly-and-risky-for-taxpayers>.
9. Daren Bakst and Diane Katz, "A Farm Bill Primer: 10 Things You Should Know About the Farm Bill," Heritage Foundation *Backgrounder*, May 14, 2013, <http://www.heritage.org/research/reports/2013/05/a-farm-bill-primer-10-things-you-should-know-about-the-farm-bill>.
10. American Farm Bureau Federation, letter to the Committee on Agriculture, Nutrition and Forestry and the Committee on Agriculture, October 17, 2011, [http://farmpolicy.com/wp-content/uploads/2011/10/101711\\_FarmBureau\\_FarmBillShallowLoss.pdf](http://farmpolicy.com/wp-content/uploads/2011/10/101711_FarmBureau_FarmBillShallowLoss.pdf) (accessed October 2, 2013). This letter was written when the discussion regarding shallow loss revenue coverage was at 90 percent. While the numbers have been reduced slightly, the same general concerns about shallow loss highlighted in this paper would still apply. See also Jim Wiesemeyer, "Farm Bureau Sends Letter to Ag Panel Members Re: 'Shallow Losses,'" *AgWeb*, October 18, 2011, [http://www.agweb.com/article/farm\\_bureau\\_sends\\_letter\\_to\\_ag\\_panel\\_members\\_re\\_shallow\\_losses/](http://www.agweb.com/article/farm_bureau_sends_letter_to_ag_panel_members_re_shallow_losses/) (accessed October 2, 2013).
11. In the House bill, farmers have a choice between the shallow loss and reference price programs.
12. To see how the reference prices work and the generosity of the House and Senate bills, see Daren Bakst, "Proposed New Farm Programs: Costly and Risky for Taxpayers," Heritage Foundation *Backgrounder* No. 2815, June 14, 2013, <http://www.heritage.org/research/reports/2013/06/proposed-new-farm-programs-costly-and-risky-for-taxpayers>.
13. Remy Jurenas, "Sugar Program: The Basics," Congressional Research Service, August 19, 2013, <http://nationalaglawcenter.org/wp-content/uploads/assets/crs/R42535.pdf> (accessed October 2, 2013).
14. "Employment Changes in U.S. Food Manufacturing: The Impact of Sugar Prices," International Trade Administration, United States Department of Commerce, February 2006, <http://www.ita.doc.gov/media/Publications/abstract/sugar2006desc.html> (accessed October 1, 2013).
15. For related information, see Diane Katz, "Dairy Security Act Would Milk Taxpayers," Heritage Foundation *WebMemo* No. 3399, October 21, 2011, <http://www.heritage.org/research/reports/2011/10/dairy-security-act-would-milk-taxpayers>.
16. Daren Bakst, "Farmers and Property Rights: Conservation Compliance Should Not Be Connected to Crop Insurance," Heritage Foundation *Issue Brief* No. 3946, May 22, 2013, <http://www.heritage.org/research/reports/2013/05/farmers-and-property-rights-conservation-compliance-should-not-be-connected-to-crop-insurance>.
17. The alleged motivation to tie crop insurance to conservation compliance is the inevitable repeal of direct payments. One of the incentives to get farmers to participate in conservation compliance is through direct payments. Out of the total number of farms (696,000 farms) that participated in conservation compliance, about 54 percent would still be subject to conservation compliance requirements because they received conservation payments. See Bakst, "Farmers and Property Rights."
18. Senator Tom Coburn, "Treasure Map: The Market Access Program's Bounty of Waste, Loot, and Spoils Plundered from Taxpayers," June 2012, [http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File\\_id=5c2568d4-ae96-40bc-b3d8-19e7a259f749](http://www.coburn.senate.gov/public/index.cfm?a=Files.Serve&File_id=5c2568d4-ae96-40bc-b3d8-19e7a259f749) (accessed October 2, 2013).
19. *Ibid.*
20. U.S. Government Accountability Office, *Responsibility for Inspecting Catfish Should Not Be Assigned to USDA*, GAO-12-411, May 10, 2012, <http://www.gao.gov/products/GAO-12-411> (accessed October 2, 2013).

21. U.S. Government Accountability Office, *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, GAO-13-279, p. 34, April 2013, <http://www.gao.gov/assets/660/653604.pdf> (accessed October 2, 2013).
22. Daren Bakst, "Food Safety Rules: Rushed Deadlines Will Lead to Disaster," Heritage Foundation *Issue Brief* No. 4018, August 20, 2013, <http://www.heritage.org/research/reports/2013/08/food-safety-rules-rushed-deadlines-will-lead-to-disaster>.
23. U.S. Food and Drug Administration, "FDA Food Safety Modernization Act (FSMA)," U.S. Department of Health and Human Services, <http://www.fda.gov/Food/GuidanceRegulation/FSMA/default.htm> (accessed October 2, 2013).
24. There would a mandatory assessment (i.e., tax) of 15 cents on fresh-cut Christmas trees, which could eventually rise to 20 cents per tree; Daren Bakst, "Obama's Christmas Tree Tax Is Back," June 4, 2013, <http://blog.heritage.org/2013/06/04/obamas-christmas-tree-tax-is-back/>.
25. See Rachel Sheffield, "How to Reform Food Stamps," Heritage Foundation *Issue Brief* No. 4045, September 12, 2013, <http://www.heritage.org/research/reports/2013/09/how-to-reform-food-stamps>.