



May 13, 2013

Honorable Frank D. Lucas
Chairman
Committee on Agriculture
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

As you requested, CBO has prepared an estimate of the effects on direct spending of draft legislation entitled the Agriculture Reform and Risk Management Act of 2013, as posted on the Web site of the House Committee on Agriculture on May 10, 2013.

Estimated Budgetary Effects Relative to the Current-Law Baseline

CBO estimates that direct spending authorized by the draft legislation over the 2014-2023 period would total \$940 billion. Relative to spending projected under CBO's May 2013 baseline, CBO estimates that enacting the draft legislation would reduce direct spending by \$33.3 billion over the 2014-2023 period. Further details of that estimate are displayed in the enclosed tables. Table 1 shows CBO's estimate of the budgetary effects by title; Table 2 provides estimates pertaining to specific agricultural commodities under title I of the legislation; and Table 3 shows estimates for specific provisions within the various titles of the proposal.

Because the proposal would affect direct spending, pay-as-you-go procedures apply. Enacting the proposed legislation would not affect federal revenues. CBO has not estimated the additional discretionary spending for agricultural programs that would result from implementing the proposal; such spending would be subject to appropriation actions. CBO also has not reviewed the proposal for intergovernmental or private-sector mandates.

Honorable Frank D. Lucas

Page 2

Estimated Budgetary Effects Assuming That Sequestration Under the Budget Control Act Were Repealed

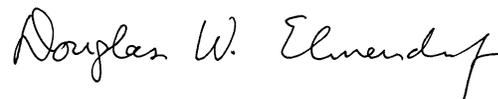
You also requested that CBO estimate the savings that would be attributable to the draft legislation if reduced spending attributable to sequestration was not already incorporated in our cost estimate. Under that law, \$593 million in 2013 spending authority for mandatory agricultural programs was cancelled. That sequestration, in turn, resulted in a reduction of roughly \$6.4 billion in CBO's baseline projections for mandatory agricultural programs over the 2014-2013 period. Those savings are a part of CBO's most recent baseline spending estimates and are therefore reflected in the estimate of savings for the draft legislation mentioned on page 1 and shown in Table 1.

However, if other legislation were enacted to repeal provisions of the Budget Control Act of 2011 regarding sequestration and the Congress subsequently enacted the committee's draft legislation, CBO estimates that it would reduce direct spending by \$39.7 billion over the 2014-2023 period.

Table 4 displays CBO's estimates of the impact of sequestration on the baseline for the mandatory spending programs that would be affected by the draft legislation.

If you need further details on this estimate, we would be pleased to provide them. The CBO staff contacts are Kathleen FitzGerald, Emily Stern, Dan Hoople, David Hull, and Jim Langley.

Sincerely,



Douglas W. Elmendorf
Director

Enclosures

cc: Honorable Collin C. Peterson
Ranking Member

Table 1. Summary of the Effects on Direct Spending from Draft Legislation Entitled the Federal Agriculture Reform and Risk Management Act of 2013, as Posted on the Web site of the House Committee on Agriculture on May 10, 2013

May 13, 2013

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
CHANGES IN DIRECT SPENDING OUTLAYS												
Title I - Commodities	931	-3,680	-1,899	-1,637	-1,611	-2,066	-2,164	-2,140	-2,210	-2,150	-7,896	-18,626
Title II - Conservation	106	224	34	-199	-431	-696	-797	-899	-1,017	-1,152	-266	-4,827
Title III - Trade	15	15	15	15	15	15	15	15	15	15	75	150
Title IV - Nutrition	-762	-2,160	-2,246	-2,231	-2,212	-2,200	-2,182	-2,167	-2,167	-2,182	-9,611	-20,509
Title V - Credit	0	0	0	0	0	0	0	0	0	0	0	0
Title VI - Rural Development	0	20	20	20	7	5	6	6	6	6	67	96
Title VII - Research, Extension, and Related Matters	41	67	90	95	101	89	79	69	65	65	394	760
Title VIII - Forestry	1	1	1	1	0	0	0	0	0	0	4	4
Title IX - Energy	0	0	0	0	0	0	0	0	0	0	0	0
Title X - Horticulture	42	53	57	58	69	49	52	54	55	55	279	543
Title XI - Crop Insurance	199	725	805	744	923	1,024	1,093	1,101	1,145	1,155	3,396	8,914
Title XII - Miscellaneous	6	19	23	23	22	17	14	12	12	12	94	161
Total Changes in Direct Spending	578	-4,715	-3,101	-3,112	-3,116	-3,763	-3,884	-3,950	-4,096	-4,176	-13,465	-33,333

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding. Excludes discretionary spending that would be subject to annual appropriation.

Table 2. Change in Commodity Payments Under Title I of Draft Legislation Entitled the Federal Agriculture Reform and Risk Management Act of 2013, as Posted on the Web site of the House Committee on Agriculture on May 10, 2013

May 13, 2013

(Millions of dollars, by fiscal year)

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
Corn	0	-1,806	-1,080	-724	-754	-1,048	-1,087	-1,009	-1,073	-1,031	-4,365	-9,613
Sorghum	0	-175	-82	-67	-77	-104	-108	-100	-106	-98	-400	-917
Barley	0	-76	-10	-7	-6	-7	-9	-11	-13	-16	-99	-155
Oats	0	-3	8	8	11	11	10	10	10	9	24	74
Total Feed Grains	0	-2,060	-1,164	-790	-826	-1,149	-1,194	-1,109	-1,182	-1,136	-4,840	-10,610
Soybeans	0	-506	-319	-38	53	-56	-103	-90	-131	-124	-810	-1,314
Wheat	0	-984	-420	-378	-432	-484	-511	-557	-549	-547	-2,214	-4,863
Upland Cotton	0	-95	-247	-688	-695	-719	-719	-712	-701	-701	-1,724	-5,274
Rice	0	-371	-127	-117	-106	-92	-96	-83	-81	-77	-720	-1,147
Peanuts	0	-60	37	54	48	47	50	45	38	33	80	295
Other Oilseeds	0	-16	-5	3	7	5	4	4	3	4	-12	8
Dairy	-35	10	23	11	35	77	97	53	82	83	44	436
Wool	0	0	0	0	0	0	0	0	0	0	0	0
Mohair	0	0	0	0	0	0	0	0	0	0	0	0
Honey	0	0	0	0	0	0	0	0	0	0	0	0
Dry Peas	0	1	4	5	5	4	3	3	3	3	15	31
Lentils	0	0	4	4	4	3	4	4	4	4	12	31
Small Chickpeas	0	0	0	0	0	0	0	0	0	0	0	0
Large Chickpeas	0	0	0	0	0	0	0	0	0	0	0	0
Total Change in Commodity Payments	-35	-4,079	-2,214	-1,933	-1,907	-2,363	-2,464	-2,442	-2,513	-2,456	-10,168	-22,406

Source: Congressional Budget Office.

Notes: Components may not sum to totals because of rounding.

Change in Commodity Payments represents the net change from: (1) elimination of direct payments, countercyclical payments, and average crop revenue election payments, dairy product price support, milk income loss contract payments, and, dairy export incentive program; (2) payments under the farm risk management election program; (3) marketing loan benefits; and, (4) dairy basic and supplemental margin protection.

Table 3. Detailed Effects on Direct Spending from Draft Legislation Entitled the Federal Agriculture Reform and Risk Management Act of 2013, as Posted on the Web site of the House Committee on Agriculture on May 10, 2013

(Millions of dollars, by fiscal year)

May 13, 2013

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-2018	2014-2023
CHANGES IN DIRECT SPENDING OUTLAYS												
Title I - Commodity Programs												
Repeal Direct Payments	0	-4,095	-4,158	-4,538	-4,538	-4,538	-4,538	-4,538	-4,538	-4,538	-17,329	-40,019
Repeal Countercyclical Payments	0	0	-117	-182	-190	-215	-217	-207	-197	-194	-489	-1,519
Repeal Average Crop Revenue Election Payments	0	0	-1,336	-696	-462	-424	-413	-454	-429	-505	-2,494	-4,719
Farm Risk Management Election	0	0	3,368	3,467	3,244	2,733	2,603	2,698	2,563	2,693	10,079	23,369
Nonrecourse Marketing Assistance Loans	4	6	7	5	5	4	4	6	6	5	27	52
Sugar Program	0	0	0	0	0	0	0	0	0	0	0	0
Dairy Program	-35	10	23	11	35	77	97	53	82	83	44	436
Supplemental Agriculture Disaster Assistance Administration	897	364	314	296	295	297	300	302	303	306	2,166	3,674
	65	35	0	0	0	0	0	0	0	0	100	100
Subtotal, Title I	931	-3,680	-1,899	-1,637	-1,611	-2,066	-2,164	-2,140	-2,210	-2,150	-7,896	-18,626
Title II - Conservation												
Conservation Reserve Program	20	30	-191	-354	-396	-462	-451	-468	-502	-565	-891	-3,339
Conservation Stewardship Program	-11	-85	-147	-219	-290	-372	-446	-518	-591	-663	-752	-3,342
Environmental Quality Incentives Program	30	58	72	87	101	114	128	128	128	128	348	974
Agricultural Conservation Easement Program	28	149	252	285	191	83	40	27	16	16	905	1,087
Regional Conservation Partnership Program	-1	-3	-3	-3	-3	-3	-3	-3	-3	-3	-13	-28
Other Conservation Programs	47	100	85	48	17	4	4	4	4	4	297	317
Funding	10	10	10	10	10	10	10	10	10	10	50	100
Repeal of Wildlife Habitat Incentives Program	-17	-35	-44	-53	-61	-70	-79	-79	-79	-79	-210	-596
Subtotal, Title II	106	224	34	-199	-431	-696	-797	-899	-1,017	-1,152	-266	-4,827
Title III - Trade	15	15	15	15	15	15	15	15	15	15	75	150
Title IV - Nutrition												
Retailers	-7	-8	-8	-8	-8	-8	-8	-8	-8	-8	-39	-79
Updating Program Eligibility	-535	-1,295	-1,295	-1,270	-1,240	-1,220	-1,200	-1,175	-1,165	-1,160	-5,635	-11,555
Standard Utility Allowances	-190	-840	-940	-950	-950	-950	-950	-960	-970	-990	-3,870	-8,690
Repeal Bonus Program	-48	-48	-48	-48	-48	-48	-48	-48	-48	-48	-240	-480
Pilot Projects to Reduce Dependency	3	5	10	10	2	0	0	0	0	0	30	30
Assistance for Community Food Projects	10	10	10	10	10	10	10	10	10	10	50	100
Emergency Food Assistance	20	20	21	21	21	22	22	23	23	24	103	217
Nutrition Education	-26	-25	-26	-26	-27	-28	-28	-29	-29	-30	-130	-274
Retailer Trafficking	5	5	5	5	5	5	5	5	5	5	25	50
Northern Mariana Islands Pilot Program	1	1	10	10	9	2	0	0	0	0	31	33
Interactions	5	15	15	15	15	15	15	15	15	15	65	140
Subtotal, Title IV	-762	-2,160	-2,246	-2,231	-2,212	-2,200	-2,182	-2,167	-2,167	-2,182	-9,611	-20,509
Title V - Credit	0	0	0	0	0	0	0	0	0	0	0	0

continued

Table 3. continued.

(Millions of dollars, by fiscal year)

May 13, 2013

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
CHANGES IN DIRECT SPENDING OUTLAYS												
Title VI - Rural Development												
Rural Economic Development Loans and Grants	0	2	5	5	5	5	6	6	6	6	17	46
Value-Added Marketing Grants	0	18	15	15	2	0	0	0	0	0	50	50
Subtotal, Title VI	0	20	20	20	7	5	6	6	6	6	67	96
Title VII - Research, Extension, and Related Matters												
Organic Agriculture Research and Extension	10	16	20	20	20	10	4	0	0	0	86	100
Specialty Crop Research	26	40	53	54	60	63	65	65	65	65	232	555
Beginning Farmer and Rancher Development	5	10	16	20	20	15	10	4	0	0	71	100
Acceptance of Facility for Agricultural Research	0	1	1	1	1	1	0	0	0	0	4	5
Subtotal, Title VII	41	67	90	95	101	89	79	69	65	65	394	760
Title VIII - Forestry												
	1	1	1	1	0	0	0	0	0	0	4	4
Title IX - Energy												
	0	0	0	0	0	0	0	0	0	0	0	0
Title X - Horticulture												
Farmers Market and Local Food Promotion	30	30	30	30	30	0	0	0	0	0	150	150
Specialty Crop Block Grants	9	16	18	18	24	29	30	30	30	30	83	232
Plant Pest and Disease Management	3	8	9	10	16	20	22	24	25	25	46	161
Subtotal, Title X	42	53	57	58	69	49	52	54	55	55	279	543
Title XI - Crop Insurance												
Supplemental Coverage Option	26	254	335	366	433	454	484	484	502	511	1,414	3,850
Catasrophic Crop Insurance Rerating	-4	-38	-50	-52	-52	-53	-54	-55	-55	-56	-196	-469
Enterprise Units for Irrigated and Nonirrigated Crops	5	47	62	63	64	66	68	69	71	72	241	586
Adjustment in Average Producer History Yields	2	21	49	75	102	129	137	139	141	143	248	936
Equitable Relief for Specialty Crop Producers	127	36	37	5	0	0	0	0	0	0	205	205
Crop Production on Native Sod (Prairie Potholes)	0	-4	-8	-11	-15	-16	-16	-16	-16	-16	-38	-118
Coverage Level by Practice	0	2	17	20	21	21	21	22	22	22	60	168
Beginning Farmer and Rancher Provisions	2	20	26	28	31	34	35	36	36	36	106	283
Stacked Income Protection for Cotton	36	350	378	308	386	409	439	451	468	466	1,459	3,693
Peanut Revenue Crop Insurance	3	26	30	30	30	30	30	30	30	30	119	269
Implementation	2	21	16	15	15	14	2	0	0	0	69	85
Participation Effects of Commodity Programs	0	-9	-87	-104	-92	-63	-52	-60	-54	-53	-291	-574
Subtotal, Title XI	199	725	805	744	923	1,024	1,093	1,101	1,145	1,155	3,396	8,914

continued

Table 3. continued.

(Millions of dollars, by fiscal year)

May 13, 2013

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
CHANGES IN DIRECT SPENDING OUTLAYS												
Title XII - Miscellaneous												
Outreach to Socially Disadvantaged Producers	5	8	10	10	10	5	2	0	0	0	43	50
Noninsured Crop Assistance Program	1	11	13	13	12	12	12	12	12	12	51	111
Subtotal, Title XI	6	19	23	23	22	17	14	12	12	12	94	161
Total Changes in Direct Spending	578	-4,715	-3,101	-3,112	-3,116	-3,763	-3,884	-3,950	-4,096	-4,176	-13,465	-33,333

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding.

Table 4. Estimated Impact on CBO's May 2013 Baseline Estimates of Selected Mandatory Programs From Sequestration, as Ordered by the Office of Management and Budget on April 10, 2013

(Millions of dollars, by fiscal year)

May 13, 2013

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014- 2018	2014- 2023
CHANGES IN DIRECT SPENDING OUTLAYS													
Title I - Commodity Programs													
Direct Payments	0	-408	-408	-408	-408	-408	-408	-408	-408	-408	-408	-2,040	-4,080
Title II - Conservation													
Conservation Stewardship Program	-44	-84	-73	-73	-73	-73	-73	-73	-73	-73	-38	-420	-750
Environmental Quality Incentives Program	-17	-46	-65	-81	-95	-108	-122	-128	-128	-128	-128	-412	-1,046
Wetlands Reserve Program	-12	-19	-9	-2	0	0	0	0	0	0	0	-42	-42
Farm and Ranchland Protection Program	0	-5	-10	-12	-13	-15	-15	-15	-15	-15	-15	-55	-130
Grassland Reserve Program	-1	-1	-1	-1	0	0	0	0	0	0	0	-4	-4
Agricultural Water Enhancement Program	-1	-3	-3	-4	-4	-4	-4	-4	-4	-4	-4	-19	-39
Cheasapeake Bay Watershed Program	-1	-2	-2	-3	-2	-3	-3	-3	-3	-3	-3	-13	-28
Agricultural Management Assistance Program	0	-1	0	0	0	0	0	0	0	0	0	-1	-1
Wildlife Habitat Incentives Program	0	-2	-3	-3	-4	-6	-6	-6	-6	-6	-6	-18	-48
Subtotal, Title II	-76	-163	-166	-179	-191	-209	-223	-229	-229	-229	-194	-984	-2,088
Title III - Trade													
Market Access Program	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-10	-60	-110
Foreign Market Development Cooperator Program	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-12	-22
Food for Progress Act	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-2	-12	-22
Emerging Markets Program	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-6	-11
Technical Assistance for Specialty Crops	*	*	*	*	*	*	*	*	*	*	*	-2	-4
Subtotal, Title III	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-15	-92	-169
Title X - Horticulture													
Specialty Crop Block Grants	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3	-3	-16	-31
Total Changes in Direct Spending	-93	-589	-592	-605	-617	-635	-649	-655	-655	-655	-620	-3,130	-6,364

Source: Congressional Budget Office.

Note: Components may not sum to totals because of rounding. *=Less than \$500,000.