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The Commodity Credit Corporation (CCC)

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The Commodity Credit Corporation (CCC)

The Commodity Credit Corporation (CCC) has served as a mandatory funding mechanism for agricultural programs since 1933. The CCC Charter Act enables the CCC to broadly support the U.S. agriculture industry for authorized purposes and programs including commodity and income support, natural resources conservation, export promotion, international food aid, disaster assistance, agricultural research, and bioenergy development.

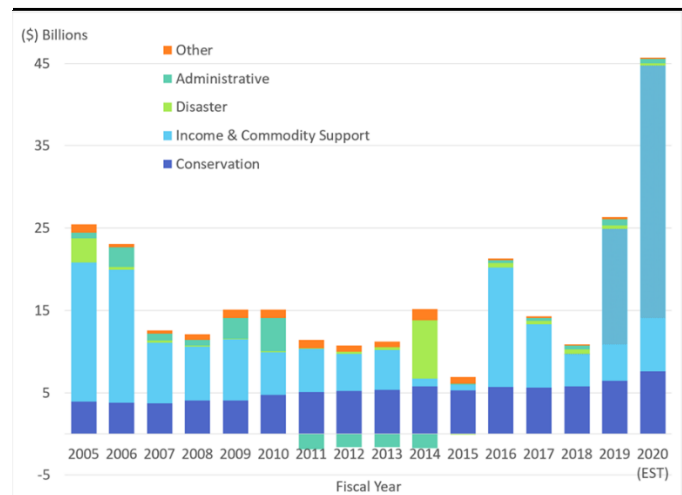
While CCC is authorized to carry out a number of activities, it has no staff of its own. Rather, U.S. Department of Agriculture (USDA) employees and facilities carry out all of its activities. CCC is overseen by the Secretary of Agriculture and a board of directors, which are also USDA officials. CCC has \$100 million in capital stock; buys, owns, sells, and donates agricultural commodities; and provides loans to farmers and ranchers. It has a permanent indefinite borrowing authority of \$30 billion from the U.S. Treasury. By law, it receives an annual appropriation equal to the amount of the previous year's net realized loss (see inset figure). This replenishes its borrowing authority from the Treasury and allows it to cover authorized expenditures that will not be recovered. Variations in its annual appropriation each year does not indicate any action by Congress to change program support but rather reflect changes in farm program payments and other discretionary uses of CCC's authority that fluctuate based on economic circumstances and weather conditions.

The majority of CCC activities are authorized through omnibus farm bills—most recently the Agriculture Improvement Act of 2018 (2018 farm bill, P.L. 115-334). Farm bill authorization directs programs to utilize CCC's borrowing authority, thereby dispensing with the need for an annual appropriation for individual programs. The use of this mandatory authority has expanded over time.

The CCC Charter Act also grants the Secretary of Agriculture broad powers and discretion to use the CCC. This discretionary use was restricted in annual appropriations acts from FY2012 through FY2017, effectively reducing the Secretary's options to use CCC. The FY2018 Consolidated Appropriations Act (P.L. 115-141) did not include these restrictions, and the Trump Administration subsequently used CCC's authority to address market impacts of retaliatory tariffs imposed by China and certain other U.S. trading partners on an array of U.S. agricultural commodities in 2018 and 2019. USDA used its administrative discretion again in 2020 to authorize CCC funding for initiatives to respond to economic disruptions related to the Coronavirus Disease 2019 (COVID-19) pandemic.

Congressional support for discretionary use of CCC typically varies depending on purpose and distribution of the expenditure. The use of CCC's discretionary authority in recent years is perhaps less controversial than the total amount authorized. USDA's discretionary use of the CCC Charter Act authority in FY2018-FY2020 has brought CCC close to its borrowing authority limit of \$30 billion. If the borrowing authority limit were to be reached before Congress appropriates the net realized loss reimbursement, all functions and operations of CCC would be suspended, including those authorized in the 2018 farm bills. This has led Congress to alter the timing of CCC's appropriation so as not to delay its activities.

CCC Net Realized Loss, FY2005-FY2020 (est.)



Sources: Compiled by CRS from U.S. Department of Agriculture (USDA), Farm Service Agency (FSA), *Commodity Estimates Book*, FY2008-FY2017 President's Budgets (Output 3); USDA, FSA, *Data Master*, FY2008 through FY2017 President's Budgets; and USDA, Office of the Chief Economist, personal communication, 9/30/2020.

Notes: The darker shaded portion of *Income & Commodity Support* indicates assistance programs created by USDA in FY2018-FY2020 for trade mitigation and coronavirus relief. The *Other* category includes funding for export activities, horticulture and specialty crop programs, bioenergy assistance, research, and rural development. The negative administrative expense in FY2011 through FY2014 represents net gains in years where the receipt of funding exceeded net expenses. The net realized loss estimated for FY2020 is above the \$30 billion borrowing limit due, in part, to a mid-year appropriation that reimbursed a portion of the loss before the end of the fiscal year.

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The Commodity Credit Corporation (CCC) has served as the financial institution for carrying out federal farm commodity price support and production programs since 1933. It is a wholly government-owned entity that exists solely to finance authorized programs that support U.S. agriculture. It is subject to the supervision and direction of the Secretary of Agriculture at the U.S. Department of Agriculture (USDA). The CCC mission was conceived mainly as one of commodity support, but over time it has expanded to include an increasingly broad array of programs, including export and commodity programs, resource conservation, disaster assistance, agricultural research, and bioenergy development.

While CCC operates according to a large number of statutory authorities, its broad powers allow it to carry out almost any operation required to meet the objectives of supporting U.S. agriculture. This broad mandate, and its significant borrowing authority, has traditionally drawn little attention. For most of its history, CCC's responsibilities have been expanded through legislative directives such as the farm bill. From FY2012 through FY2017, Congress took actions to limit the discretionary uses of CCC funds through restrictions in appropriations language. Beginning in FY2018, Congress lifted these restrictions, allowing for additional discretionary use. The Trump Administration used CCC's broad powers and discretionary authority to make billions of dollars in direct payments and undertake commodity purchases in response to trade retaliation against U.S. agricultural exports and to mitigate economic losses to the agricultural sector from the Coronavirus Disease 2019 (COVID-19) pandemic.¹

The recent expansion in the uses of CCC has generated questions about what the CCC is, how it operates, what its current uses are, and what it may be used for in the future. This report provides a brief review of CCC's unique history, funding structure, general operation, and recent issues associated with its use. Other CRS reports cover in detail programs and activities authorized through CCC.²

Origin of the CCC

For over a decade prior to the creation of CCC in 1933, the farm economy struggled with low levels of income from depressed commodity prices and increasing costs for supplies and services. The first major federal effort to boost commodity prices was through the Federal Farm Board, established by the Agricultural Marketing Act of 1929.³ An inadequate and ultimately failed effort to eliminate surpluses was attempted by making loans to cooperative associations for the purpose of carrying out surplus purchase operations. Without the ability to control production, it was impossible to eliminate surplus stocks. This led to proposals to regulate the harvested acreage of farm commodities and the quantities sold. The concept of acreage and marketing controls was incorporated in to the Agricultural Adjustment Act of 1933 (AAA).⁴

The AAA sought to reduce production by paying producers to participate in acreage control programs. Funding came from a tax on companies that processed farm products. Additional provisions of the law dealt with fair marketing practices and voluntary agreements between producers and handlers of commodities to regulate marketing. A financial institution was needed to carry out the legislation, and this was accomplished with the creation of the Commodity Credit

¹ These payments are discussed further in the "Discretionary Use" section.

² For additional information regarding programs and activities authorized through CCC, see CRS farm bill and farm support reports at <http://www.crs.gov/iap/agriculture-and-food>.

³ P.L. 71-10; 46 Stat. 11.

⁴ P.L. 73-10; 48 Stat. 31.

Corporation. Executive Order 6340 of October 17, 1933, directed the incorporation of CCC in the state of Delaware.⁵

The Delaware charter authorized CCC, among other things, to buy and sell farm commodities; lend; undertake activities for the purpose of increasing production, stabilizing prices, and insuring adequate supplies; and facilitate the efficient distribution of agricultural commodities. It was originally capitalized in 1933 with \$3 million appropriated by Congress. In 1936, sufficient stock was acquired to raise the capitalization to \$100 million. Its capital stock remains at this level.⁶ In 1939, Executive Order 8219 ordered that all rights of the United States arising out of the ownership of CCC be transferred to the Secretary of Agriculture.⁷

At that time, low prices became so critical for cotton and corn producers that waiting for another season for supply controls to impact the market was judged to be untenable. With the establishment of CCC, it became possible to make *price-support loans*, now commonly referred to as nonrecourse loans, allowing farmers to obtain cash using crops as collateral. These loans provided farmers funds to hold their products off the market until prices improved. The first loans were made to cotton farmers for more than the market price. Since loans were higher than the market price and the loans were nonrecourse, they could be satisfied by forfeiting the cotton pledged as collateral against the loan, thereby serving as a form of price support and effectively establishing a floor price for the domestic market.⁸ Funding for these first loan operations came from a tax on commodity processing and from CCC's \$3 million capital account, which was appropriated under authority of the National Industrial Recovery Act and the Fourth Deficiency Act.⁹

Constitutional difficulties with some provisions of the AAA, and practical shortcomings with other elements of the law, led to additional legislation in the 1930s that continues to provide permanent authority for many USDA activities. Subsequent omnibus "farm bills" set most of the policy goals and program constraints for farm price and income support operations that are funded through CCC.

CCC Charter Act

The Government Corporation Control Act of 1945¹⁰ (GCCA) required all wholly owned government corporations to be reincorporated as agencies or instrumentalities of the United

⁵ Executive Order 6340, "Creating the Commodity Credit Corporation," *Public Papers of the Presidents of the United States: Franklin D. Roosevelt* (Washington: GPO, October 16, 1933).

⁶ The Reconstruction Finance Corporation originally acquired the \$100 million capitalization stock. The Reconstruction Finance Corporation was a New Deal-era government corporation that provided financial support and loans, including the recapitalization of banks.

⁷ Executive Order 8219, 4 *Federal Register* 3565, August 10, 1939. Executive Order 7848, 3 *Federal Register* 632, March 22, 1938, had previously designated the Secretary of the Treasury as the holder of CCC's capital stock.

⁸ David Godfrey, "The Commodity Credit Corporation," Texas Tech University, 1974, <http://hdl.handle.net/10601/1696>.

⁹ 48 Stat. 195, and 48 Stat. 274, respectively.

¹⁰ The GCCA (31 U.S.C. §§9101-9110) standardized budget, auditing, debt management, and depository practices for government corporations. The GCCA is not a general incorporation act such as those in effect in the states. The charter for each federal government corporation is the separate enabling legislation passed by Congress. The GCCA also does not offer a general definition of what constitutes a government corporation. It simply enumerates the organizations covered by the act. For additional information, see U.S. Government Accountability Office (GAO), *Government Corporations: Profiles of Existing Government Corporations*, GAO/GGD 96-14, December 1995, <https://www.gao.gov/products/GGD-96-14>.

States. Accordingly, Congress passed the Commodity Credit Corporation Charter Act of 1948 (Charter Act).¹¹ All CCC rights, duties, assets, and liabilities were assumed by the federal corporation, and the Delaware corporation was dissolved.

Government Corporations in General

Government corporations have existed for over a century. The exact number of government corporations depends on how they are defined (ranging from around a dozen to over 40). While no single definition exists, they are generally defined as agencies of the federal government established by Congress to perform a public purpose. Commonly, they provide a market-oriented product or service and are intended to produce revenue that meets or approximates its expenditures. Generally, government corporations must submit annual management reports to Congress and are assigned to committees of subject matter jurisdiction. Many have a board of directors and are overseen by political appointees or executive branch officials. Commonly, government corporations are perceived as discrete entities with individual administrative requirements defined in law.¹²

According to the Charter Act, the purpose of CCC is to stabilize, support, and protect farm income and prices; assist in maintaining balanced and adequate supplies of agricultural commodities; and facilitate the orderly distribution of commodities. A list of some of CCC's authorities (paraphrased from Section 5 of the Charter Act, 15 U.S.C. §714(c)) conveys a sense of its broadly stated powers:

- Support agricultural commodity prices¹³ through loans, purchases, payments, and other operations.
- Make available materials and facilities in connection with the production and marketing of agricultural products.
- Procure commodities for sale to other government agencies; foreign governments; and domestic, foreign, or international relief or rehabilitation agencies and for domestic requirements.
- Remove and dispose of surplus agricultural commodities.
- Increase the domestic consumption of commodities by expanding markets or developing new and additional markets, marketing facilities, and uses for commodities.
- Export, or cause to be exported, or aid in the development of foreign markets for commodities.
- Carry out authorized conservation or environmental programs.

Congressionally Authorized Activities

The majority of CCC operations are governed by statutory authorities that specifically direct USDA on how to administer CCC activities and in what amounts to fund them. Over time, Congress has added new activities to CCC's original mission, including conservation, specialty crop support, and bioenergy development (see text box below). Most of these activities are authorized in omnibus farm bills occurring every four to five years.¹⁴ In carrying out these

¹¹ P.L. 80-89; 62 Stat. 1070; 15 U.S.C. §714.

¹² GAO, *Federally Created Entities: An Overview of Key Attributes*, GAO-10-97, October 2009, pp. 13-16, <https://www.gao.gov/products/GAO-10-97>.

¹³ Amendments to the Charter Act in 2004 preclude tobacco from being considered within the definition of "agricultural commodities" (P.L. 108-357).

¹⁴ CRS Report RS22131, *What Is the Farm Bill?*.

operations, CCC is directed, to the maximum extent practicable, to use the usual and customary channels, facilities, and arrangements of trade and commerce.¹⁵

Examples of CCC Activities and Programs

CCC is authorized to fund a broad array of programs supporting U.S. agriculture. These programs are typically authorized through omnibus farm bills. A general description of the assistance offered and examples of associated programs are listed below. This is not an exhaustive list. For additional information on these and other CCC-funded programs, see CRS farm bill reports at <http://www.crs.gov/iap/agriculture-and-food>.

Commodity and Income Support provides farm payments and loans when crop prices or revenues decline for major commodity crops—including wheat, corn, soybeans, peanuts, and rice—as well as other support mechanisms for dairy, cotton, and sugar (e.g., Agriculture Risk Coverage, Price Loss Coverage, and Dairy Margin Coverage).

Conservation provides financial and technical assistance for voluntary participation in resource conservation programs to protect soil, water, wildlife, and other natural resources on private lands (e.g., Environmental Quality Incentives Program, Conservation Reserve Program, and Agricultural Conservation Easement Program).

Disaster provides payments for livestock and crop production losses resulting from weather events and disease outbreaks (e.g., Livestock Forage Program, Noninsured Crop Disaster Assistance Program, and Tree Assistance Program).

Export and Foreign Food Assistance promotes U.S. agricultural products abroad, develops export markets, and supports international food assistance programs (e.g., Agricultural Trade Promotion Program and Food for Peace Program).

Bioenergy provides assistance for the research, development, and adoption of renewable energy—primarily biofuels (e.g., Biorefinery Assistance Program, Rural Energy for America Program, and Biomass Crop Assistance Program).

Specialty Crops supports research, market promotion (including organic certification), and pest and disease prevention for fruits, vegetables, tree nuts, floriculture, and other ornamental products (e.g., Specialty Crop Block Grant Program and Specialty Crop Research Initiative).

Discretionary Use

The broad CCC authorities provided to the Secretary under the CCC Charter Act also allow USDA a level of discretion to carry out many broad operations in support of U.S. agriculture. This discretion has been used throughout CCC’s history for a number of different purposes, including responses to natural disasters, adverse economic conditions, and to fund USDA priorities (see **Table 1**). The scope and scale of this discretion traditionally has been targeted to specific events, crops, or domestic needs.

Table 1. Examples of USDA’s Discretionary Use of CCC
FY2015-FY2020

Fiscal Year	Program Name	Authorized Funding Level
2015	Biofuels Infrastructure Partnership Program	\$100 million
2016	Cotton Ginning Cost Share	\$327 million
2017	Dairy Assistance Program – Puerto Rico	\$12 million
2018	Cotton Ginning Cost Share	\$215 million
2018	Food Purchase and Distribution Program	\$1,200 million
2018	Market Facilitation Program	\$12,000 million

¹⁵ 15 U.S.C. §714c.

Fiscal Year	Program Name	Authorized Funding Level
2019	Food Purchase and Distribution Program	\$1,400 million
2019	Market Facilitation Program	\$16,000 million
2020	Higher Blends Infrastructure Incentive Program	\$100 million
2020	Seafood Assistance Program	\$530 million
2020	Coronavirus Food Assistance Program 1	\$6,500 million
2020	Coronavirus Food Assistance Program 2	\$14,000 million

Source: USDA, Office of the Chief Economist, personal communication, 9/30/2020.

Notes: The authorized level of funding, as announced by USDA, is included. Actual expenditures may vary from authorized levels.

Congress can alter USDA's discretionary use of CCC authority through direct amendments to the CCC Charter Act or through limitation, such as in appropriations, on how CCC funds may be used. The latter occurred from FY2012 to FY2017, when Congress limited USDA's discretion to use CCC's authority to remove surplus commodities and support prices. The limitation was included in annual appropriation acts (see text box below).

How and Why Was CCC Restricted?

Each annual appropriation between FY2012 and FY2017 temporarily prohibited the use of select discretionary authority under the CCC. This restriction was specific to any surplus removal activities or price support activities under Section 5 of the Commodity Credit Corporation Charter Act (15 U.S.C. §714c).¹⁶ This restriction did not affect USDA's ability to administer authorized programs under the 2014 farm bill (P.L. 113-79).¹⁷

This recurring provision was a reaction to administrative activities following 2009 crop losses, in which the Obama Administration announced that it would implement a disaster program under "Section 32" authority.¹⁸ In 2010, USDA spent \$348 million distributed across three categories: (1) select crop production (upland cotton, rice, soybeans, and sweet potatoes),¹⁹ (2) poultry producers, and (3) aquaculture producers. USDA used CCC authority to make required purchases that usually would be made with Section 32 funds for domestic feeding programs.²⁰

Critics of the 2009 disaster assistance, in Congress and elsewhere, objected to USDA using its authority to make such payments without a legislative mandate. Concerns at that time about the limits on CCC's mandate were related to assistance—or lack thereof—for cottonseed payments, dairy assistance, and biofuel infrastructure.

The FY2018 Consolidated Appropriations Act (P.L. 115-141) did not include these restrictions, thereby allowing USDA full use of the CCC Charter Act's discretionary authority. USDA utilized this authority in the summer of 2018, when it announced that it would be taking several actions to

¹⁶ For example, see Section 715 of the Consolidated Appropriations Act of 2016 (P.L. 114-113) or Section 715 of the Consolidated Appropriations Act of 2017 (P.L. 115-31).

¹⁷ Appropriations acts also limited clause 3 of Section 32, which provides that funds may be used to reestablish farmers' purchasing power by making payments in connection with the normal production of any agricultural commodity for domestic consumption (7 U.S.C. §612c).

¹⁸ USDA's Section 32 program is funded by a permanent appropriation of 30% of the previous year's customs receipts, less certain mandatory transfers. Section 32 funds are used for a variety of activities, including child nutrition programs, the purchase of commodities for domestic food programs, and farm disaster relief. For more information, see CRS Report RL34081, *Farm and Food Support Under USDA's Section 32 Program*.

¹⁹ On October 22, 2010, USDA announced it would begin making payments to producers in eligible counties under the Crop Assistance Program using payment rates established for each crop. A fact sheet is available at http://www.fsa.usda.gov/Internet/FSA_File/cap10pfs.pdf.

²⁰ USDA, *Background on 2009 Disaster Assistance*, http://www.agri-pulse.com/uploaded/Disaster_Background.pdf.

assist farmers in response to economic trade damage from retaliatory tariffs that targeted various U.S. products.²¹ USDA used its discretion under the CCC Charter Act to authorize up to \$12 billion in assistance—referred to as the “trade aid” package—for certain agricultural commodities.²² This authority was used again in summer 2019, when USDA announced a second trade aid package authorizing up to an additional \$16 billion in assistance.²³

USDA used its administrative discretion again in 2020 to authorize funding and food purchases in response to economic disruptions related to the COVID-19 pandemic. On April 17, 2020, USDA announced a \$19 billion Coronavirus Food Assistance Program (CFAP), composed of \$16 billion of direct payments to farmers and \$3 billion of commodity purchases.²⁴ Of the total \$19 million for CFAP, \$6.5 billion was from the Secretary’s discretionary use of CCC authority (with the rest from multiple coronavirus supplemental appropriations). On September 17, 2020, USDA announced a second round of CFAP payments (CFAP 2) authorizing up to \$14 billion in direct support using the discretionary authority of the CCC Charter Act.²⁵

Management of CCC

The Charter Act makes CCC an agency and instrumentality of the United States within USDA, subject to the supervision and direction of the Secretary of Agriculture. A board of directors appointed by the President, consisting of the Secretary and seven other USDA officials, is responsible for the management of CCC.²⁶ CCC officers and advisors—also USDA officials—are charged with maintaining liaisons with other governmental and private trade operations on the CCC’s behalf.

The CCC has no personnel of its own. Rather, USDA employees and facilities carry out all of its activities. Administrative functions generally fall to the USDA agencies directed to administer the various CCC programs. The majority of its functions are administered by the Farm Production and Conservation (FPAC) Business Center.²⁷ Other agencies also administer CCC programs, including the Farm Service Agency (FSA), the Natural Resources Conservation Service, the Agricultural Marketing Service, the Foreign Agricultural Service, and the United States Agency for International Development (USAID). CCC reimburses other agencies for their administrative costs.

CCC cannot acquire property or interest in property unless it is related to providing storage for program implementation or protecting CCC’s financial interests.²⁸ CCC is allowed to rent or lease space necessary to conduct business (e.g., warehousing of commodities).

²¹ For more information, see CRS Insight IN10880, *China’s Retaliatory Tariffs on Selected U.S. Agricultural Products*.

²² For more information, see CRS Report R45310, *Farm Policy: USDA’s 2018 Trade Aid Package*.

²³ For more information, see CRS Report R45865, *Farm Policy: USDA’s 2019 Trade Aid Package*.

²⁴ For more information, see CRS Report R46347, *COVID-19, U.S. Agriculture, and USDA’s Coronavirus Food Assistance Program (CFAP)*.

²⁵ USDA, *Coronavirus Food Assistance Program 2*, “Funding and Authorities” tab, <https://www.farmers.gov/cfap>.

²⁶ 15 U.S.C. §714g.

²⁷ Prior to a USDA reorganization in 2017, the majority of CCC functions were administered by FSA. Following the creation of the FPAC Business Center, the bylaws of CCC were amended in 2018, placing the Chief Operating Officer of the FPAC Business Center as Executive Vice President of the CCC. According to the 2018 bylaws, “the Executive Vice President shall have general supervision and direction of the day-to-day conduct of the business of the Corporation and its officers.” USDA, CCC, “Bylaws of the Corporation,” May 4, 2018, <https://www.usda.gov/sites/default/files/documents/usda-ccc-bylaws.pdf>.

²⁸ 15 U.S.C. §714b(h).

Financing CCC

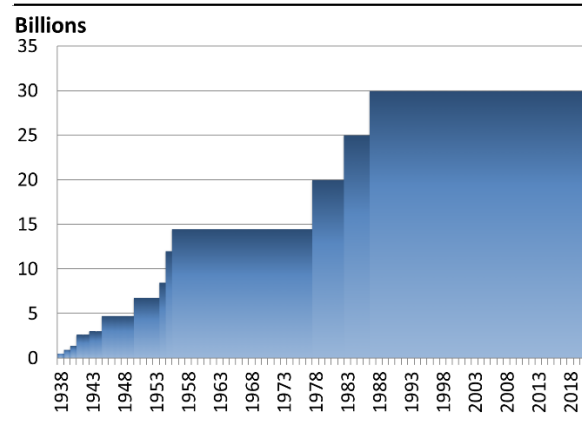
CCC is responsible for the direct spending and credit guarantees used to finance the federal government's agricultural commodity price support and related activities that are undertaken by authority of agricultural legislation (such as farm bills) or the Charter Act itself. It is, in brief, a broadly empowered financial institution. The money that CCC needs comes from its own funds (including its \$100 million capital stock, appropriations from Congress, and its earnings from sales and fees) and from borrowings. In accordance with government accounting statutes and regulations, CCC is required to submit an annual business-type budget statement to Congress. This is typically released annually with the President's budget request.²⁹

The Office of Management and Budget (OMB) also plays a role in how CCC funds are administered through an apportionment process, which allows OMB to set a limit on the funds available for obligation and subsequent outlay.³⁰ OMB apportions funds for select CCC programs and operating expenditures.³¹ OMB is precluded, however, from apportioning funds "for price support and surplus removal of agricultural commodities" and therefore may not limit funds for this purpose unless it relates to administrative expenses.³²

Borrowing Authority

CCC borrows from the U.S. Treasury to finance its programs. CCC has permanent indefinite authority to borrow from the Treasury (and also private lending institutions) within limits set by Congress. As the amount of money needed to carry out its activities has grown over time, the borrowing limit has steadily increased (**Figure 1**). At present, CCC's borrowing authority is limited to \$30 billion,³³ an amount that has remained unchanged since 1987.

Figure 1. CCC's Borrowing Authority
1938-2020



Source: CRS from USDA, "Reports of Financial Conditions and Operations of the CCC," various years.

Notes: The graph illustrates the year in which legislation authorized an increase in the borrowing authority. Prior to 1938, CCC had no specific borrowing authority. In 1954, Congress passed two increases, one to \$8.5 billion and a second to \$10 billion.

²⁹ CCC budget documents may be found at <http://www.fsa.usda.gov/about-fsa/budget-and-performance-management/budget/ccc-budget-essentials/index>.

³⁰ GAO, *Commodity Credit Corporation: Information on the Availability, Use, and Management of Funds*, GAO/RCED-98-114, April 1998, <http://www.gao.gov/assets/230/225533.pdf>.

³¹ In accordance with the Antideficiency Act, as amended (31 U.S.C. §1512), among others.

³² 31 U.S.C. §1511(b)(1)(A).

³³ 15 U.S.C. §714b(i).

Most CCC-funded programs are classified as mandatory spending programs and therefore do not require annual appropriations in order to operate. Mandatory spending, however, is subject to budget enforcement procedures such as pay-as-you-go (PAYGO) rules.³⁴

CCC activity is often described using two similar but different measures. The first is *net expenditures*, which is a combination of outlays and receipts. The second is *net realized losses*, which are expenditures that will never be recovered.

Net Expenditures

CCC recoups some money from authorized activities (e.g., sale of commodity stocks, loan repayments, and fees), though not nearly as much money as it spends, resulting in net expenditures. Net expenditures include all cash outlays minus all cash receipts, commonly referred to as “cash flow.” CCC outlays or expenditures represent the total cash outlays of the CCC-funded programs (e.g., loans made, conservation program payments, commodity purchases, and disaster payments). Outlays are offset by receipts (e.g., loan repayment, sale of commodities, and fees). In practice a portion of these net expenditures may be recovered in future years (e.g., through loan repayments).

Net Realized Losses

CCC also has net realized losses, also referred to as nonrecoverable losses. These refer to the outlays that CCC will never recover, such as the cost of commodities sold or donated, uncollectible loans, storage and transportation costs, interest paid to the Treasury, program payments, and operating expenses. The net realized loss is the amount that CCC, by law, is authorized to receive through appropriations to replenish its borrowing authority (see **Figure 2**).³⁵

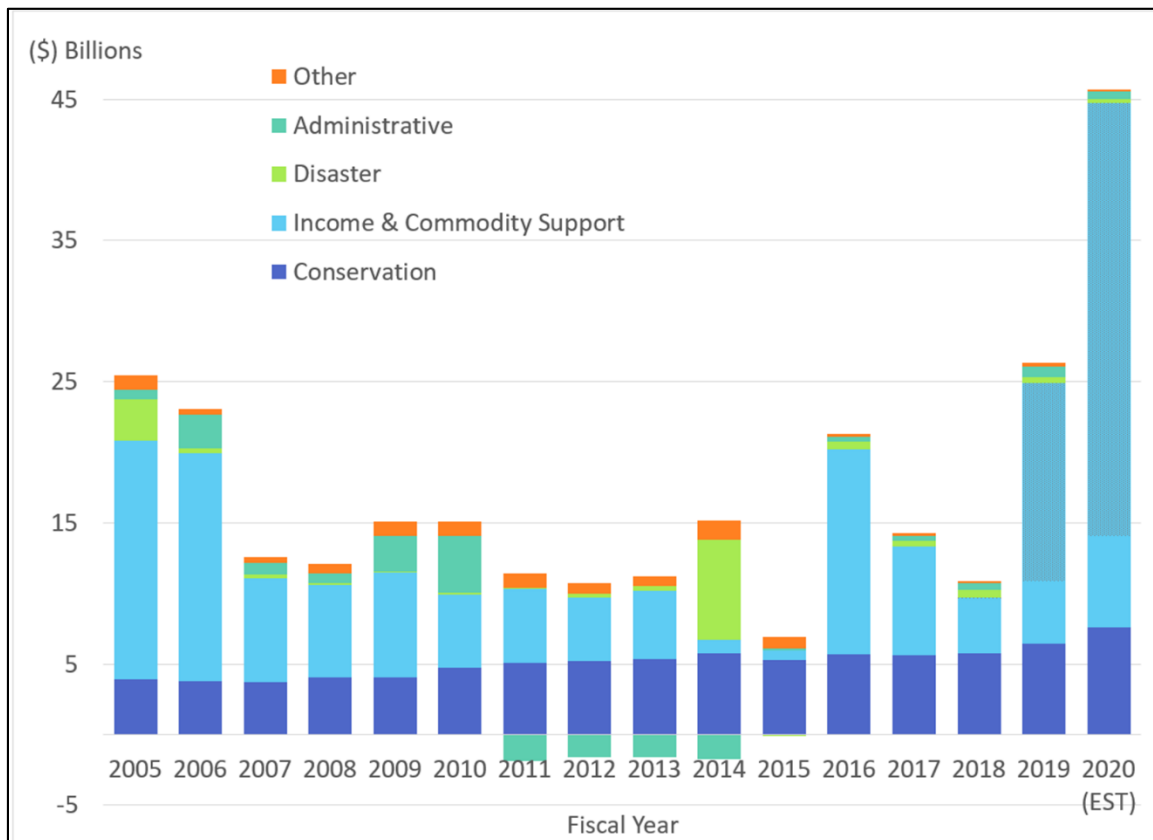
The annual appropriation for CCC varies each year based on the net realized loss of the previous year.³⁶ For example, the FY2020 appropriation (P.L. 116-94) provides an indefinite appropriation, covering the net realized loss for FY2019 of \$26.3 billion, which was more than twice the net realized loss in FY2018 of \$10.9 billion. The increase does not indicate any action by Congress to change program support; it reflects changes in farm program payments and other discretionary uses of CCC’s authority that fluctuated based on economic circumstances and weather conditions. Also, CCC’s assets, which include loans and commodity inventories, are not considered to be “losses” until CCC ultimately disposes of the asset (e.g., by sales, exports, or donations). Once CCC has disposed of these assets, its total losses are realized and are added to other program expenses less any other program income.

³⁴ In general, pay-as-you-go (PAYGO) rules require legislation that is projected to increase mandatory spending or reduce revenues to also include offsetting provisions over a specified period. For more information on the House and Senate PAYGO rules, see CRS Report R41510, *Budget Enforcement Procedures: House Pay-As-You-Go (PAYGO) Rule* and CRS Report RL31943, *Budget Enforcement Procedures: The Senate Pay-As-You-Go (PAYGO) Rule*, respectively. For information on how budget enforcement affects the farm bill, see CRS Report R45425, *Budget Issues That Shaped the 2018 Farm Bill*.

³⁵ 15 U.S.C. §713a-11.

³⁶ According to a GAO report, CCC changed the manner in which it calculates its request for an appropriation to cover its net realized losses in 1998 in response to recommendations from USDA’s Office of Inspector General. Prior to 1998, the annual appropriation request included estimates for prior and future losses. This resulted in an over-appropriation of about \$5 billion in FY1996 due to overestimates of CCC’s prior and future losses. GAO, *Commodity Credit Corporation: Information on the Availability, Use, and Management of Funds*, GAO/RCED-98-114, April 1998.

Figure 2. CCC Realized Losses
FY2005-FY2020



Sources: Compiled by CRS from USDA, FSA, *Commodity Estimates Book*, FY2008-FY2017 President’s Budgets (Output 3); USDA, FSA, *Data Master*, FY2008 through FY2017 President’s Budgets; and USDA, Office of the Chief Economist, personal communication, 9/30/2020.

Notes: FY2016-FY2020 are actual and estimated net aggregate funding totals provided by the Office of the Chief Economist on September 30, 2020. The darker shaded portion of the *Income and Commodity Support* category includes assistance programs created by USDA in FY2018-FY2020 for trade mitigation and coronavirus relief (discussed further under the “Discretionary Use” section). The *Other* category includes funding for export activities, horticulture and specialty crop programs, bioenergy assistance, research, and rural development. The negative administrative expense in FY2011 through FY2014 represents net gains in years where the receipt of funding (e.g., interest expense and Tobacco Trust Fund payments) exceeded net expenses (e.g., salaries and overhead). The net realized loss estimated for FY2020 is above the \$30 billion borrowing limit due, in part, to a mid-year appropriation that reimbursed a portion of the loss before the end of the fiscal year (discussed further in the “Reimbursement Timing: Anomalies and Mid-Year Appropriations” text box, below).

Non-Borrowing Authority Appropriations

Some CCC operations are financed through appropriated funds and are unrelated to the permanent indefinite borrowing authority described above.³⁷ These activities include a specific statutory authority for separate reimbursement—for example, export credit guarantee programs, foreign donations, concessional sales under the Food for Peace Program (P.L. 83-480, also known as P.L. 480), and disaster aid.

³⁷ USDA, Office of Inspector General, *Commodity Credit Corporation’s Financial Statements for Fiscal Year 2018*, Audit Report 06403-0001-11, November 2018, <https://www.usda.gov/oig/webdocs/06403-0001-11.pdf>.

CCC has what it refers to as a “parent/child” account relationship with USAID. CCC allocates funds (as the parent) to USAID (as the child) to fund P.L. 480 Title II and Bill Emerson Humanitarian Trust transportation costs and other administrative costs in connection with foreign commodity donations. CCC then reports USAID’s budgetary and proprietary activities in its financial statements.³⁸

Reimbursement Timing: Anomalies and Mid-Year Appropriations

Congress has annually appropriated CCC funding to cover its net realized losses incurred in the previous fiscal year. The total amount appropriated is based on the required financial statement and audit of the CCC following the completion of a fiscal year. The financial statement and audit typically is not completed until several months following the end of the fiscal year, thereby resulting in a gap between the end of the fiscal year and the receipt of the annual appropriated reimbursement.

Many farm program payments are required to be made annually in October (e.g., Agricultural Risk Coverage, Price Loss Coverage, Conservation Stewardship Program, and the Conservation Reserve Program). In most years, CCC has enough room within the borrowing authority limit to make these payments before receiving its annual appropriated reimbursement. In years of high expenditures, however, CCC could reach its borrowing authority limit before receiving its appropriation. If this were to happen, all functions and operations of CCC would be suspended until the borrowing authority is restored through the reimbursement that is pursuant to an appropriation.

The timing of this appropriation may be altered if Congress authorizes reimbursement *before* the conclusion of the annual financial statement or at a time other than the conclusion of the fiscal year. Both of these timing adjustments have occurred in recent years.

- **Anomaly** – In the absence of a final Agriculture appropriation at the beginning of a fiscal year, Congress may pass a continuing resolution (CR) to continue operations and prevent a government shutdown. In general, a CR continues the funding rates and conditions that were in the previous year’s appropriation. In some cases, exceptions (or *anomalies*) are also included in CRs to provide changes and exceptions to the general funding rate or to address special circumstances. In FY2017 and FY2019-FY2021, CCC expenditures for the previous fiscal year were high enough that Congress included an anomaly in CRs allowing CCC to receive its annual reimbursement *before* completion of the required financial statement and audit. The anomaly did not change the amount reimbursed or the financial reporting requirement, only the timing of when CCC could receive reimbursement. Under a CR without the anomaly, CCC would still receive its annual reimbursement following the completion of the required financial statement and audit. Congress may also include an anomaly in a regular appropriation that could shift the timing of when CCC could receive reimbursement.
- **Mid-Year Appropriation** – CCC operates as a line of credit, borrowing funds from the U.S. Treasury as needed to carry out its activities. The net realized loss is provided through appropriations and reimbursed to the Treasury, effectively lowering the CCC’s outstanding debit. Typically the reimbursement occurs annually through the annual appropriations process; however, Congress can choose to authorize a reimbursement of CCC’s net realized losses *before* the end of the fiscal year, thereby reducing CCC’s debit and allowing additional expenditures in a given fiscal year. This occurred in FY2020, when the CARES Act (P.L. 116-136, §11002) allowed for up to \$14 billion of CCC’s net realized losses be reimbursed as of the June 2020 financial report. This *mid-year appropriation* did not permanently raise the CCC’s borrowing authority limit but rather paid off a portion of its debit earlier than usual, allowing it to incur more expenses within FY2020. This is why the estimate for FY2020 in **Figure 2** is above the \$30 billion borrowing authority threshold.

Considerations for Congress

The mandatory funding nature of CCC activities may make it an attractive funding mechanism. Any expansion of mandatory funding authority by Congress, however, is subject to budget enforcement rules and may require a spending/revenue offset or a waiver of budgetary rules. Recent congressional action restoring CCC’s authority has allowed for USDA’s use of CCC to

³⁸ OMB, Financial Reporting Requirements, Circular No. A-136 (Revised), June 28, 2019, <https://www.whitehouse.gov/wp-content/uploads/2019/06/OMB-Circular-A-136.pdf>. For additional information on CCC-funded activities at USAID, see CRS Report R45422, *U.S. International Food Assistance: An Overview*.

mitigate commodity price declines from retaliatory tariffs on a variety of U.S. agricultural products. It has also allowed for an expeditious response to market disruptions created by the coronavirus pandemic. Both of these actions were undertaken using CCC's discretionary authority; therefore, no congressional budget offset was required. The CCC's permanent, indefinite funding authority means that expenditures for USDA's two trade aid packages and CFAP payments are to be automatically reimbursed as a net realized loss. Without offsets, this increases total federal spending.

The use of CCC's discretionary authority in recent years is perhaps less controversial than the total amount authorized. USDA's discretionary use of CCC authority has effectively doubled the annual net realized loss.³⁹ This increase in spending brings CCC close to its borrowing authority limit of \$30 billion. If the borrowing authority limit were reached before Congress appropriates the net realized loss reimbursement, all functions and operations of CCC would be suspended, including those authorized in the 2018 farm bill.⁴⁰ In recent years, this potential consequence has resulted in congressional action to alter the timing of CCC's appropriation so as not to delay its activities.

Congressional support for discretionary use of CCC typically varies depending on the purpose and distribution of expenditures.⁴¹ Some in Congress have questioned how USDA has used CCC, but few have advocated for a renewed restriction or repeal of the discretionary authority. Congressional actions by the 116th Congress, such as a required expansion in the FY2019 supplemental appropriations of payments under the trade aid program, could be viewed as congressional support for the trade aid package.⁴² Similarly, the mid-year reimbursement under the CARES Act could also signal congressional support of the 116th Congress for USDA's discretionary use of CCC's authority, especially in times of emergency. Legislation was also introduced in the 116th Congress that would have expanded CCC's authorized uses and increased its borrowing authority limit.⁴³

Conclusion

CCC is a government-owned and broadly empowered financial institution that has a mandate to support U.S. agriculture. Its activities are derived from long-standing authorities granted by Congress. While it is the primary funding mechanism used in omnibus farm bills, its existence, use, and operations are frequently misunderstood and often confused with USDA itself. One reason for this confusion may be because much of CCC's functional operations support USDA's

³⁹ See the darker shaded portion of the *Income and Commodity Support* category of **Figure 2**. This includes assistance programs created by USDA in FY2018-FY2020 for trade mitigation and coronavirus relief through discretionary use of CCC authorities.

⁴⁰ Agriculture Improvement Act of 2018; P.L. 115-334.

⁴¹ For example, see Letter from Debbie Stabenow, U.S. Senator, Charles E. Schumer, U.S. Senator and Minority Leader, and Richard Durbin, U.S. Senator et al. to Sonny Perdue, Secretary of Agriculture, November 12, 2019, <https://www.agriculture.senate.gov/mfp-letter>; and Letter from John Hoeven, U.S. Senator, Mitch McConnell, U.S. Senator and Majority Leader, and John Boozman, U.S. Senator et al. to Nancy Pelosi, Speaker of the U.S. House of Representatives, September 17, 2019, https://republicans-agriculture.house.gov/UploadedFiles/CCC_Letter.pdf.

⁴² Section 103 of the FY2019 supplemental appropriation (P.L. 116-20) amends the Market Facilitation Program's (MFP) adjusted gross income (AGI) requirement to (1) change the tax years used to calculated AGI to 2013, 2014, and 2015 and (2) allow MFP payments for those with AGI more than \$900,000 if at least 75% of their AGI came from farming, ranching, or forestry-related activities. For additional information on MFP, see CRS In Focus IF11289, *Farm Policy: Comparison of 2018 and 2019 MFP Programs* and CRS In Focus IF11245, *FY2019 Supplemental Appropriations for Agriculture*.

⁴³ For example, H.R. 8406, S. 4800, and S. 4156 would have expanded CCC's authorized uses, among other changes, and H.R. 6728 and H.R. 7679 would have increased the borrowing authority limit.

program activities—CCC has no staff of its own; rather, it operates primarily through USDA agencies.

The broad authorities that Congress has granted to CCC allow it to carry out almost any operation that is consistent with the objective of supporting U.S. agriculture. At the same time, these broad powers and the CCC's borrowing authority have made it an object of attention, and of controversy at times, among the legislative and executive branches and with some interest groups.

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