

BACKGROUND

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The 2007 Farm — and Food — Bill

by Tom Philpott

Across the U.S., farm, food, and conservation advocates are consulting and providing comments on the upcoming Bill. Many family farmers and rural business people are calling for farm policy reform, voicing opposition to costly and unfair USDA crop subsidy payments, and demanding support for organic farming, farmland conservation, rural development, and support for young and minority farmers.¹ The Farm Bill is an *Agri-food Bill* that determines the function (or dysfunction) of the entire U.S. food system. The economic fate of family farmers and the food security of low-income consumers—both high-risk sectors in the U.S.'s food system—are affected by the Farm Bill, which funds Food Stamps and School Commodity Programs (50% of entitlements), Emergency Food Assistance, Commodity Supplemental Food, and Community Food Projects, among other programs. Community food activists point out that this aid (approximately \$50 billion) is insufficient to address the needs of the nation's 36 million food insecure citizens.

Every five years, Congress and the White House roll out a new Farm Bill amid grand rhetoric about uplifting “America’s family farmers and ranchers.” Meanwhile, the food industry consolidates, farm numbers drop as those remaining grow in size while rural economies wither. Cram the bill with enough disparate provisions, obfuscate corporate giveaways, and food-justice advocates and farmers alike are perplexed. That’s a shame. The Farm Bill’s 10 titles exert a dramatic influence on the U.S. food system. Under Title I—the provision that is supposed to protect farmers from market swings—the federal government has been doling out an average of \$11.3 billion annually propping up industrial agriculture between 1995 and 2004. More than 90 percent goes to producers of corn, cotton, wheat, rice, and soybeans, with just 10 percent of farms receiving 74 percent of these subsidies.² These large-scale farms aren’t producing food and fiber directly for U.S. consumers, but rather inputs in an industrialized global production chain. These five crops are dramatically overproduced and typically sell on global markets at below production cost, imposing hardships on farmers worldwide while enriching transnational food-industry giants. Fruit and vegetable growers—and the vast majority of small and mid-sized farms—get not a penny.



USDA Photo by Ken Hammond

Grade school girl eating her lunch.

Interesting times for Title I subsidies

As negotiations begin on the 2007 Farm Bill, Title I subsidies look ripe for reform. An opportunity—albeit remote—has opened to reconfigure the farm bill to bolster, rather than undermine, the health of small farms and localized food economies. With the World Trade Organization aggressively pushing the U.S. and the E.U. to slash agricultural subsidies, Title I has drawn a diverse chorus of domestic and international detractors.

Anti-poverty advocacy groups such as Oxfam America have charged that Title I drives down global agricultural prices and impoverishes farmers in the Global South.³ The Bush Administration, facing a huge budget deficit, has signaled willingness to abandon or slash the subsidy program.⁴ Even Sen. Saxby Chambliss (R-GA), chair of the Senate Committee on Agriculture, a tireless champion of government support for large-scale agricultural producers now says, “WTO has been a great organization that has served us well to this point. We must be sure we’re WTO-compliant in this next farm bill.”⁵ And large grain traders such as Archer Daniels Midland may be willing to withdraw support for the commodity program. Daryll E. Ray, professor of economics and director of the Agricultural Policy Analysis Center at the University of Tennessee, maintains that the agri-giants would likely accept an end to subsidies as long as no price supports were erected in their wake.⁶

2 However, momentum to reform Title I subsidies faltered when the WTO’s Doha talks collapsed amid acrimony between the U.S. and the E.U. Prospects for Doha appear bleak as of September 2006. The American Farm Bureau, a powerful lobbyist for the large commodity farms, now supports extending the subsidy-heavy 2002 Farm Bill “until a new world trade agreement is reached.”⁷ With the Farm Bureau digging in and resolution of the U.S.-E.U. farm subsidy cuts stalled, Congress is in no hurry to slash subsidies. However Title I remains in a precarious position. Its sheer size makes it a target for budget cutters as federal deficits mount. Food-justice advocates face a prickly choice heading into 2007 Farm Bill discussion. They advocate slashing Title I, but to do so supports abolition of what is by far the federal government’s largest commitment to the farm economy. In the current budget climate, any money the government “saves” by cutting Title I subsidies may not be transferred to expand innovative farm, environmental, and food-delivery pro-

grams. Moreover, dismantling this commodity-support program without erecting a price-support system is likely to severely diminish farm incomes, leading to loss of more family farms with yet more concentration of wealth in the farm sector. But the alternative is equally problematic. If food-justice advocacy groups do nothing to attack Title I subsidies, they’re tacitly supporting a program that hurts the interests of most farmers both here in the U.S. and in the global south. The trick will be to transform the debate by showing that current Title I subsidies support agribusiness, not farmers or consumers.

The commodity-farming treadmill

To understand why subsidy cuts alone won’t revive the U.S. farm economy or boost farm incomes abroad, it’s important to examine the history of commodity agriculture. U.S. farms have dramatically increased productivity over the past 50 years. “Agricultural output in 2002 was 2.6 times as high as it was in 1948” while the total number of farms plunged from 5.8 million to 2.1 million according to the USDA journal *Amber Waves*.⁸ As fewer farms churn out more food, farmers face falling prices and farm incomes have stagnated. In inflation-adjusted terms, farm income today remains at 1970 levels.⁹ Farmer’s share of the consumer dollar eroded steadily over the second half of the 20th century. In 1954, it stood at 37 percent. By 2000, farmers on average received only 19 cents for every dollar spent on food.¹⁰ Meanwhile, retail food prices held steady, providing a profit boom for agribusiness and food-retail giants. Commodity farmers, responding to steadily declining prices, produced more and drove prices down even further.

From the Depression until 1973, federal policy sought to mitigate falling prices for farm goods mainly through supply management, for example by paying farmers to store excess commodities, or to let land idle. According to agricultural economist Daryll Ray, these “supply management policies pre-

vented the chronic overproduction.”¹¹ Granted, the government price supports didn’t prevent a startling drop in the number of farms in the post-war years. Between 1950 and 1973, the number of U.S. farms nearly halved, from about 5.6 million to about 3 million. But given the economic backdrop—surging farm productivity, financed by debt, and accompanied by rapid consolidation of food processors and retailers—it’s a wonder more farms didn’t go under in the decades after the war. In 1972 with grain prices low, farmers growing restive, and a presidential election looming, USDA Secretary Earl Butz engineered a 30 million-ton grain sale to the USSR, financed with a \$700 million export credit loan to buy the grain. The Soviets bought a quarter of the 1972 wheat crop, boosting prices fourfold. Corn prices also surged. A Midwest drought in 1973 resulted in even higher prices. Along with the 1973 OPEC oil embargo, the Soviet grain sale helped spark the “stagflation” that gripped the U.S. economy into the next decade. Responding to this rebound crisis Butz attacked the price-support/supply-management system in place since the depression, calling on U.S. farmers to save the starving world from hunger. No longer would the government purchase grain from farmers in bountiful years to store it for release in poor harvest years, leading to overproduction and low prices. The government would support farmers with direct payments when prices dipped below the cost of production. In the longer term, new markets would be opened overseas.¹²

Unfortunately, global trade hasn’t been the panacea promised. Exports of the eight major crops—corn, soybeans, wheat, barley, oats, grain sorghum, rice, and cotton—have remained roughly flat, though variable since the early 1980s, even with NAFTA (1994) forcing open the Mexican market for U.S. corn and other “free trade” victories. Instead global competition had led to dramatic price declines. While U.S. policymakers

urged farmers to produce for a global market, similar movements were afoot in Argentina's pampas and Brazil's savanna and rainforest. The U.S. remains an export powerhouse; but the world is awash in Argentine corn and Brazilian soy. Robust exports were supposed to keep a floor under U.S. crop prices. Yet Ray reports that between 1996 and 2001 commodity crop prices plunged an average of 40 percent. Meanwhile, subsidies—that allegedly short-term solution—have endured since 1973. Ray calculates that direct payments averaged \$7 billion annually leading up the 1996 “Freedom to Farm Act,” and \$19 billion after.¹³ Even so, farm families rely increasingly in off-farm jobs for income. According to the USDA, “Off-farm sources of income...provided 85-95 percent of [farm] household income over 1999-2003, up from around 50 percent in 1960.” Meanwhile, profits for large grain traders including Cargill and Archer Daniels Midland and feedlot operators including Smithfield Foods have surged, as bargain-priced inputs lowered their production costs.

Why do farmers continue growing so much under such dire circumstances? George Naylor, an Iowa corn farmer and president of the National Family Farm Coalition, puts it succinctly: “Farmers facing lower prices have only one option if they want to be able to maintain their standard of living, pay their bills, and service their debt, and that is to produce more....We've got a long-term investment in growing corn and soybeans; the [grain] elevator is the only buyer in town, and the elevator only pays me for corn and soybeans. The market is telling me to grow corn and soybeans, period.”¹⁴ By giving farmers incentive to produce as much as possible, farm bills since 1973 have greatly contributed to the dismal economics of U.S. farming while enriching transnational grain companies.

Toward a Way Forward

In “Rethinking U.S. Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide” (2003), Daryll

Ray, Daniel De La Torre Ugarte, and Kelly Tiller argue persuasively that merely abolishing U.S. commodity subsidies won't bolster the health of farms domestically or abroad. They argue that if subsidies are cut, U.S. farmers will respond by producing more, putting even more downward pressure on farm prices. “Low prices triggered high subsidies in the U.S., not the reverse, as many believe,” Ray argues. Citing a study by the International Food Policy Research Institute (IFPRI) that modeled how different crop subsidy regimes would affect global commodity prices. IFPRI calculates that if the U.S. and E.U. dropped all agricultural subsidies without adopting any price supports, corn prices would rise just 3 percent by 2020, and rice just 1.6 percent. “These mere traces of price movement after 20 years would be of little help in improving income of farmers in developing countries,” he writes. Ray advocates replacing direct payments with grain reserves, acreage set-asides, and government commodity purchases to “increase market prices to a reasonable and sustainable band and then manage the excess” production.¹⁵ This agenda has been extremely influential in progressive farming circles. The National Family Farm Coalition is pushing a nearly identical agenda, citing Ray.¹⁶

Given current political realities, Ray's New Deal revivalism may not gain sufficient traction. In past years, agribusiness lobbied for subsidies to gain support of farmers who supply them with agricultural commodities at below production cost. Now, the U.S. government is under intense budget pressure, bad publicity over mounting subsidies and international trade pressure. Big Ag seems ready to accept subsidy reductions—as long as price supports remain off the table.¹⁷ Of the 20 Congressional politicians receiving the most cash from the agribusiness lobby in 2006, 15 serve on the House or Senate agriculture committees.¹⁸ The revolving door separating agribusiness and government rotates freely. A former Archer Daniels Midland employee is deputy secretary of the USDA, and a former Mon-

santo executive is the chief agriculture negotiator for the U.S. Trade Representative.¹⁹

And fast food—another important lobby—has entered the fray. Yum!—owner of KFC, Pizza Hut, Taco Bell, and Long John Silver's—is leading a coalition of fast-food companies including McDonald's and Wendy's lobbying to make the Farm Bill “WTO-compliant.”²⁰ Most likely either the 2002 Farm Bill will be temporarily extended, after which time subsidy payments will eventually be phased out, with no additional safety net for farmers, save perhaps subsidies for ethanol feedstock crops which benefit large producers such as Archer Daniels Midland.

American Farmland Trust (AFT) recently laid out an alternative agenda to replace existing commodity subsidies with “green payments.” AFT's plan would pay farmers based on environmental stewardship rather than gross output “allowing farmers to ‘sell’ environmental services much like they sell agricultural products. Environmental benefits could include carbon reductions, controlled floodwaters, wildlife habitat preservation, groundwater and biodiversity, and open space, and cleaner air and water.”²¹ This plan would also “make green payments available to all agricultural producers who manage land and provide environmental benefits, regardless of the size of operation, crops produced, or geographic location, including specialty crop producers and ranchers.” Such a plan would be a radical departure from the current system. And since it doesn't support specific commodities, it would likely survive a WTO challenge, a test the Bush Administration and Congressional agriculture committees have made clear is important. Yet it's difficult to imagine that agriculture committee members will embrace such an agenda.

Policy emanating from Washington for decades—both domestically and through global institutions including the IMF, the World Bank, and the UN—has pressured farmers to scale up to produce for a vast global agricultural

commodity market. Multinational food-processing giants like Archer Daniels Midland have thrived, while farm incomes have stagnated or dropped, and public health has languished even in the global north.²² Meanwhile, local food production has withered with people relying on food of dubious quality, grown and processed at great distances. The agendas put forward by Daryll Ray and American Farmland Trust, broadly represent ideas coming from other progressive farming groups, and deserve the active support of food-justice activists. They would likely boost U.S. farm incomes without harming farmers in the global south. But at

this point, the real hope for revitalizing local food production networks lies in grassroots organizing. Farm Bill entitlements could raise family farm incomes, support small rural and urban businesses in the food systems, and create more jobs through the growing and sales of local fresh fruit and vegetables.

For this reason, many advocates suggest the Bill “Support communities, not commodities” and that money now spent on subsidies could be invested in local farmer’s markets, farm-to-cafeteria programs, neighborhood grocery stores, urban agriculture, marketing infrastructure for local food systems, and support for direct marketing, like CSAs.²³

The 2007 Farm Bill is an opportunity for farm and food activists to put sound alternatives on the table. It is also a chance to build alliances for food justice and sustainable agriculture, and, democratize our food system, piece by piece. Educate yourself on the Farm Bill, call and write to your congressional representatives expressing your desire to see the Farm Bill support communities and not commodities. You can provide comments on the 2007 Farm bill at <http://www.agriculture.house.gov/inside/feedbackform.html>.

The notes for this Backgrounder can be found at www.foodfirst.org/taxonomy/term/245

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