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Competing Visions of U.S. Agriculture: Can We Have Our Cake and Eat It Too in Reforming Federal Farm Policy?

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"... like many sectors of the U.S. economy, agriculture is being challenged by global change. Trade talks in the WTO's Doha Round have been suspended, threatening the expansion of trade and economic development in emerging markets that is so important for the continued growth of U.S. agriculture." ... "The pace of change affecting the domestic and global agriculture systems requires a new vision for U.S. agriculture. The 2007 farm bill provides a critical opportunity to undertake meaningful, sectorwide reform focused on ensuring the long-term competitiveness and sustainability of the U.S. agriculture and food system." (Modernizing America's Food and Farm Policy: Vision for a New Direction, Report of the Agriculture Task Force, The Chicago Council on Global Affairs, September 2006, p. 1).

"This document springs from the collective vision of farm and rural advocates from around the country for a new future for American agriculture and rural communities. This vision is one where a safe, nutritious, ample and affordable food supply is produced by a legion of family farmers who can make a decent living pursuing their trade on the scale they choose, utilize methods and inputs that conserve their resource base and keep healthy their environment, and are recognized for their contributions to the strength and stability of their communities." ... "We can and should embrace serious reform and new initiatives to promote family farms, small communities, and vibrant rural economies while producing healthy food and a health environment." (No Time for Delay: A Sustainable

Agriculture Agenda for the 2007 Farm Bill, Sustainable Agriculture Coalition, October 2006, p. 3)

Calls for *reform* of Federal farm policy have been voiced in policy circles across the U.S. over the past year. Reform proposals have been coming from widely divergent groups. A task force of the Chicago Council on Global Affairs—consisting of several prominent American agricultural economists, other recognized policy analysts, and food and agriculture industry representatives—released a sweeping set of reform proposals last September. In October, a coalition of organizations representing “family farm” and environmental sustainability organizations (the Sustainable Agriculture Coalition, or **SAC**) released its own comprehensive set of reform recommendations. A more general set of reform proposals that largely mirrors the detailed proposals of the **SAC** was released in January by the Farm and Food Policy Project, under the title Seeking Balance in U.S. Farm and Food Policy. This report was endorsed by an alliance of sustainable and organic agriculture, conservation, family farm, anti-hunger, nutrition, public health, and other groups. Various other reform proposals have been released in the buildup to the 2007 farm bill debate now underway in Congress. Elements of different proposals can be seen in the U.S. Department of Agriculture (USDA) farm bill recommendations released by Secretary Johanns on January 31.

How are citizens who are not agricultural experts to make sense of the various reform proposals? Since so many people are talking about *reform*, is it safe to assume that most groups are trying to move agriculture in the same general direction, and that policy differences are largely in the details? To answer that, we must try to understand the different *visions* that exist for the future of American agriculture. There are at least two major competing visions of a viable path for the future of U.S. agriculture, one or the other of which underlies most farm bill reform proposals put forth over the past year. I believe it is fair to label these the *global competitiveness vision* and the *sustainable agriculture vision*.

The global competitiveness vision

Organizations, like individuals, have a mix of values, beliefs, and goals that translate into visions. Visions may be stated in an implicit or an explicit way, and some reform proposals result from a mixture of visions. On the whole, however, the task force report of the Chicago Council on Global Affairs represents the *global competitiveness* vision. (Henceforth, I will simply refer to the **Council**.) The recurring theme in the **Council** report is how to maintain and strengthen the competitiveness of U.S. agriculture in international markets. The World Trade Organization's (WTO's) Doha Round negotiations had collapsed in July 2006, prior to completion of the **Council's** report. (Though Doha Round discussions have continued on some levels, only recently has the WTO indicated that active negotiations would soon resume.) The **Council's** proposed reforms were intended to provide bases for successful resumption of WTO negotiations and for putting U.S. agriculture on a strong footing to compete in an environment with reduced trade barriers and market distortions worldwide. The **Council's** vision for a healthy U.S. agriculture clearly is based on growth through expansion of international trade.

The central feature of the **Council's** proposed reforms consisted of greater 'decoupling' of government-provided income and risk protection from production decisions. The major focus was on payments linked directly or indirectly to 'commodities'—primarily corn, soybeans, wheat, rice, and cotton. Commodity payments consist of *direct payments*, *counter-cyclical payments*, and *marketing assistance loan benefits*. The total of these payments has been estimated to average \$11.7 billion per year for the 2002-2005 crop years. That consisted of annual amounts of about \$5.3 billion in direct payments, while counter-cyclical payments ranged from about \$0.5 billion to nearly \$5 billion, and marketing loan benefits ranged from less than \$1 billion to over \$6 billion during that time period. The \$11.7 billion annual average for commodity programs constituted over 70 percent of U.S. Department of Agriculture (USDA) combined expenditures during 2002-2005 for farm commodity support, emergency agricultural assistance programs, and conservation or agri-environmental programs.

Reforms proposed by the **Council** would shift the mix of payments in attempts to make them fit, as much as possible, in the WTO's 'green box', the category of supports considered to be nondistorting or only minimally distorting to trade. This would be done by transitioning over a 5-year period from the current package of farm programs to a mix consisting of *direct*

payments (the most 'decoupled' of the existing types of commodity payments), expanded farm revenue insurance and new farmer savings accounts (for risk protection), conservation programs, and investments in *public goods* related to research and infrastructure. The **Council** considered major investments in updating the nation's transportation infrastructure to be critical to maintaining U.S. agricultural export competitiveness. At the same time, the **Council** also recommended that the U.S. reform its export assistance programs to make them fully compliant with WTO rules.

The sustainable agriculture vision

The *sustainable agriculture vision* is more inward looking than the *global competitiveness vision*. The **SAC's** *No Time for Delay* report, released in October 2006, a month after the **Council's** report, contains reform recommendations very much focused on environmental quality, ecological sustainability, and the economic viability of small and moderate-sized family farms. The **SAC** is not 'anti-trade', but its vision of a healthy U.S. agriculture contains elements of a 'Jeffersonian' agrarian vision—in which the nation is populated by independent family farms and natural resource use is sustainable for the indefinite future. The recommendations embodied in the **SAC** report are consistent with a 'multifunctionality' view of agriculture. Recent reforms of the European Union's Common Agricultural Policy (CAP) are based on a political agreement in Western Europe that agriculture should be considered *multifunctional*—that is, that agriculture has social and environmental stewardship functions in addition to food and fiber production functions. Like the CAP reforms, the proposed **SAC** reforms are intended to protect and enhance U.S. agriculture's social and environmental stewardship functions, while maintaining the long run sustainability of agriculture's food production function.

Like the **Council** report, the **SAC** report was quite critical of U.S. commodity programs in their present forms. The **SAC** feels that the commodity programs have favored large farms, and thereby raised land prices, brought about farm consolidation, and made entry more difficult for beginning farmers. By heavily favoring just a few crops, the commodity programs have undermined biodiversity and provided powerful incentives to farm intensively with large amounts of synthetic chemical inputs which often have damaged the environment. The **SAC** also acknowledged that the commodity supports have contributed to expanded U.S. production that has been 'dumped' on world markets and lowered prices for farmers in developing countries, a major complaint of representatives of those countries in WTO negotiations

in recent years. To counter these adverse effects, the **SAC** reforms call for much lower and more tightly controlled limits on the size of commodity payments allowed for each farm family. The **SAC** also advocated a reduction in dependence on *marketing assistance loan benefits* by implementing some types of conservation-oriented supply management, sustainable use of biomass for energy, and farmer owned grain reserves. To the extent marketing loan programs remain in effect in the next Federal farm bill, the **SAC** feels that the payment calculations should be decoupled from current production. Moreover, the **SAC** called for removal of the prohibition of planting fruits and vegetables on base acres included in any of the commodity program payment calculations; as the **SAC** noted, this may be necessary to bring U.S. decoupling provisions into compliance with WTO green box rules.

Agri-environmental programs would receive much greater emphasis in a Federal farm bill written in accordance with **SAC** thinking. The Conservation Security Program (CSP), introduced as part of the 2002 farm bill but yet to be adequately funded to operate like Congressional sponsors originally intended, would be the primary environmental stewardship incentive program. The Environmental Quality Incentives Program (EQIP) would be better coordinated with the CSP, and the use of EQIP cost-share funds for manure storage by large Confined Animal Feeding Operations (CAFOs) would be much more restricted than at present. The **SAC** also advocated the establishment of a new program of technical and financial support for farmers making the transition from ‘conventional’ to certified ‘organic’ agriculture. Such organic transition programs have been in widespread use throughout most of Western Europe for quite some time now.

In keeping with the **SAC**’s Jeffersonian agrarian vision of agriculture, its reform proposals further called for a number of measures to support beginning farmers, maintain competitive and ‘fair’ markets, expand local and regional marketing of food, and add economic value to agricultural products at the farm or local level. The **SAC** report also included recommendations to support rural economic development.

Can we have our cake and eat it to?

Although both the **Council** and the **SAC** reports contain additional reform recommendations that can not be enumerated here because of lack of space, we can see that there is at least some overlap, in spite of the quite different agricultural visions represented. The most striking similarity is the respective calls for major changes in farm commodity payment programs, though

details and emphases differ. The **Council** sees major ‘decoupling’ of payments as necessary both for breakthroughs in WTO negotiations and for the flexibility required for farmers to respond to global price signals in their investment and production decisions. The **SAC** also sees need for major changes in commodity programs—especially much more stringent restrictions on per farm payments, but also a greater degree of ‘decoupling’—to allow moderate-sized family farms to compete with large farms and to encourage environmental stewardship. Therefore, though different reform groups may be coming to the farm bill debate from quite different philosophical perspectives, *can Congress perhaps have its cake and eat it too* in hammering out reform in a 2007 farm bill?

Although it has long been recognized that Congress writes U.S. farm bills, the Executive branch can influence the debate by the type of proposals it sets out and by the potential threat of veto. The USDA put forth a relatively wide ranging set of proposals on behalf of the Executive branch at the end of January. In contrast to expectations in some circles, the proposals do contain some significant reform elements. In particular: (1) the proposed changes would reduce *marketing assistance loan benefits*; (2) *direct payments* would be increased (with extra increases for beginning farmers) and assurances would be provided that the payment bases will (supposedly) remain permanently ‘decoupled’ from production decisions; (3) *counter-cyclical payments* would become revenue-based, rather than being based only on price variability, as at present; (4) tighter limits would be placed on commodity payments per farm family (including a means test); (5) program payment base planting flexibility would be expanded to allow planting of fruits, vegetables, and wild rice; and (6) some export promotion programs that do not comply with WTO rules would be repealed or reformed. Approximately \$5 billion in new spending is proposed for fruits and vegetables over the next 10 years (2008-2017)—including money for block grants, export assistance, research, conservation, and fruit and vegetable purchases by schools (**SAC** Weekly Update, Feb. 5-9, 2007).

Do the USDA proposals for the 2007 farm bill represent the *global competitiveness vision* of agriculture or the *sustainable agriculture vision*? Overall, one senses that the USDA proposals are driven primarily by the global competitiveness vision. A number of proposed reforms are consistent with the sustainable agriculture vision, but the reforms fall short of what many sustainable agriculture organizations would like to see. Proposed limits on per farm commodity payments are less

stringent than some sustainable agriculture groups would desire. The USDA proposal does call for some additional spending for agri-environmental programs—about \$8 billion over 10 years—but this is a net addition of less than \$1 billion per year. Moreover, very little of the additional agri-environmental money would go to the CSP, the program at the heart of the sustainable agriculture vision.

It will be a real challenge for Congress to *have its cake and eat it too* in hammering out compromises in the months ahead. Meaningful reform of agricultural policy will include making changes to the structure of commodity programs and their associated payments. While some aspects of possible commodity program reforms are compatible with both the competitiveness vision and the sustainable agriculture vision, proposed changes will encounter substantial political resistance, especially because the commodity payments have been capitalized into farm land values. However, the upward pressures on commodity prices resulting from the recent major expansion of corn-based ethanol production mean that the program payments linked to prices (the counter-cyclical payments and the marketing assistance loan benefits) likely will be much reduced over the next few years anyway. Therefore, there is a window of opportunity to push ahead with major reforms.

Can the obstacles to fundamental reform be overcome in the months ahead? In a subsequent article in this *Commentator* series, I will address that question, in part by drawing on recent experience in the European Union

with reform of commodity programs and shifting of some funds from commodity programs to agri-environmental and rural development programs. I will also give more attention to the issue of compatibility of such reforms with progress in WTO negotiations.

For additional information, see:

Farm and Food Policy Project. 2007 (January). Seeking Balance in U.S. Farm and Food Policy. (www.farmandfoodproject.org)

Sustainable Agriculture Coalition. 2006 (October). No Time for Delay: A Sustainable Agriculture Agenda for the 2007 Farm Bill. Washington, D.C. (www.msawg.org)

The Chicago Council on Global Affairs. 2006 (September). Modernizing America's Food and Farm Policy: Vision for a New Direction. Report of the Agricultural Task Force (Catherine Bertini, August Schumacher Jr., and Robert L. Thompson, Coauthors). Chicago. (www.thechicagocouncil.org)

U.S. Department of Agriculture. 2007 (January). USDA 2007 Farm Bill Proposals. Washington, D.C. (www.usda.gov/wps/portal/usdahome?contentidonly=true&contentid=2007/01/0019.xml)

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