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FARM BILL STAKEHOLDERS: COMPETITORS OR COLLABORATORS?

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This article is part of a series of Policy Issues articles on the 2012 Farm Bill. You can also find articles on The Environment of the Next Farm Bill Debate, External Factors That Will Drive the Next Farm Bill Debate, Trade Issues in the 2012 Farm Bill, and Food and Nutrition Programs in the Next Farm Bill as part of this theme.

Over the past 80 years, food and farm policy has evolved from programs put in place to alleviate stresses resulting from short-run problems to being the guidepost for rural America. The number of constituent groups that support farm legislation is large and growing with each farm bill. U.S. farmers and ranchers were the primary beneficiaries of early farm legislation. While they still benefit greatly, today the list of beneficiaries also includes: the poor and food insecure, hunters and anglers, motorists, and environmentalists, to name a few. Each constituent group has its vision as to the purpose of the farm bill such as:

- Foster an abundant supply of food and fiber
- Improve food security for the impoverished
- Support and stabilize farm income
- Help producers gain access to credit
- Expand agricultural exports
- Conserve natural resources
- Maintain the family farm and the vitality of rural communities
- Capitalize on the multiple functions of agriculture
- Counter the protection provided to agriculture in other countries
- Assist with gaining energy independence

Each of these goals is relevant today and has its own constituent group which believes that its goal is the primary purpose of government's involvement in agriculture. It should be noted that several of these goals appear to be in conflict with one another. For example, supporting and stabilizing farm income and fostering an abundant supply of food and fiber are both worthy goals, but it is difficult to increase production without reducing farm prices leading to even more government involvement.

Over time, as economic and political conditions have changed, the emphasis on each of these goals has been heightened or dampened, yet the core list remains about the same. What has changed dramatically is the allocation of spending for each area of the farm bill.

During the 1980s, commodity programs routinely cost more than $10 billion per year. During the first decade of this century, commodity program costs exceeded $21 billion for each of five years, reaching a high of $24.4 billion in 2005 before declining to less than $10 billion per year in 2010. Since the 1980s, government outlays on conservation and crop insurance programs have increased dramatically from $1.1 and $0.46 billion per year in 1985, respectively, to $3.9 and $7.8 billion per year in fiscal 2010. While these increases are quite dramatic, they pale in comparison to the increase in spending for food programs—primarily the Supplemental Nutrition Assistance Program (SNAP) that rose from $12.2 billion in 1985, as the Food Stamp Program, to $68.3 billion in 2010. With that overview as a backdrop, the key policy issues that will most affect the next farm bill can be grouped into five broad categories:

- Food policy
- Farm policy
- Energy policy
- Natural resources and the environment
- Rural development

What must not be forgotten is that none of these policy areas have broad enough support in Congress to pass a farm bill without the supporters of several areas joining forces. This is an especially difficult concept for farmers in particular to embrace as they believe farm policy or commodity policy is reason enough for the farm bill. While they have every right to their opinions, the fact is that dwindling Congressional representation from farm states has increasingly created the need for commodity program supporters to work with supporters of other areas of agricultural policy.

Food Policy

In the past, the United States has been accused of having a cheap food policy by our international competitors. While the argument isn't 100% valid, it isn't totally wrong either. There have been elements of U.S. commodity policy that certainly led to more production than would have otherwise occurred, yet there have also been farm program provisions that restricted production as well. Other than temporary shortages and associated price spikes due to droughts in the United States and around the world, U.S. consumers spend among the lowest percent of income on food.

Contemporary food policy concerns are directed toward 1) those with limited ability to pay for food and 2) what consumers should eat and how much. The food stamp program was renamed the Supplemental Nutrition Assistance Program (SNAP) in the 2008 Farm Bill. As a result of the recent recession, the number of SNAP recipients peaked in late 2010 with a record 44 million, or one in eight, Americans receiving food assistance. U.S. food assistance programs represent the largest portion—around 75%—of farm bill spending. Two factors have led to the large increase in spending on food assistance programs. First, the significant increase in overall commodity prices has contributed to higher food prices. And, second, the sheer number of recipients who are eligible for this entitlement program has increased the total cost of the program. Even in a poor economy with Congress placing a major emphasis on reducing government spending, it does not appear that food programs are likely to face significant reductions relative to other components of the farm bill.

What is not clear is whether Congress will feel the need to directly address obesity problems beyond providing the traditional food intake guidelines, such as MyPlate that recently replaced the food pyramid. For years, there have been groups attempting to blame commodity safety net programs, such as the sugar program, for obesity problems in the United States. Recent research reports have indicated a small link between the two, with obesity being more related to a host of other factors—genetics, inactivity and poor nutrition choices—rather than commodity programs. It is clear that education appears to be the direction from which nutrition help will need to come. However, in times of budget reductions, education programs are more likely to be cut than funding for food program recipients. Fruit and vegetable growers were big winners in the 2008 Farm Bill, gaining a significant funding increase for research and education programs. In the face of significant budget pressure, will the side promoting healthy food choices be strong enough to hold or increase their funding in the next bill?

Farm Policy

The upcoming farm bill, like the 1996 Farm Bill, will be debated during a period of relatively high commodity prices for most but not all commodities. What makes this farm bill decidedly different is the increased scrutiny that all government spending is currently undergoing. Funding levels, types of policy tools, and even the idea of government support for agricultural producers are all being questioned by fiscal conservatives in Congress, Tea Party candidates, and nongovernmental organizations (NGOs) that do not feel farmers and ranchers should be provided a safety net through subsidies—especially at the expense of their favorite cause—whatever that may be.

This farm bill will pit several groups that have occasionally been allies in the past—commodity groups, crop insurance companies, and environmental/conservation interests—against each other as funding for their part of the farm bill is almost certainly going to decline. One of the hot emerging questions which has come to light thus far is: Can federally subsidized crop insurance take the place of the commodity program safety net, either in part or in whole? Some commodity producers might go along to a degree while others would be adamantly opposed.

For commodity policy, there are more questions than answers at this point. There are issues of whether direct payments should be continued even though commodity prices are relatively high. For some commodities like rice, if the direct payment is the only real safety net provided, can the individual farmer afford to give it, or a portion of it, up? Will the Average Crop Revenue Election (ACRE) program be provided as a choice to the direct and countercyclical payment program again in the next farm bill, or will it be the only choice? Will the international community, through the WTO, object to moving from green box policies—direct payments—to amber box policies—ACRE or a new countercyclical program dependent on prices? And, finally, what dynamic will the more than $100 million in payments the United States makes to Brazilian cotton farmers as a result of the cotton case have in adjusting U.S. commodity programs?

In the end, there will be a producer safety net for U.S. commodity producers. While there are many questions to be answered, there is no question that agriculture around the world is sufficiently unique that almost every country in the world refuses to leave it unprotected.

Energy Policy

The 2002 Farm Bill was the first to add an energy title that covered a host of USDA energy programs with most of the money devoted to the Commodity Credit Corporation (CCC) Bioenergy Program to make payments to bioenergy producers who purchase agricultural commodities for the purpose of expanding production of biodiesel and fuel-grade ethanol. USDA energy programs were greatly expanded in the 2008 Farm Bill, with the Biomass Crop Assistance Program (BCAP) being the centerpiece. Farm bill energy programs have been geared toward development of an agriculturally based renewable energy—primarily liquid fuel—industry.

It should be pointed out that the most contentious elements of the United States' renewable energy policy have been developed in stand-alone energy bills, not in the farm bill. However, as oil prices have pushed gasoline and ethanol prices higher, there is a greater ability for ethanol plants to pay more than ever for corn and still operate at a small profit. Yet, there is no question that animal agriculture has been hurt by high fuel costs and has had a difficult time adjusting to higher corn and soybean prices over the past decade.

Will the next farm bill contain further adjustments or an elimination of the blenders' tax credit for ethanol and biodiesel? Both expire at the end of 2011, so action would have to be taken for them to be around during the farm bill debate.

In the next farm bill, Congress will have to face many tough decisions regarding energy policy that impact a wide variety of stakeholders. One of the most dramatic impacts could be the fate of the livestock and dairy industries in the United States. Clearly, corn prices near $8 per bushel partially due to ethanol use are too high to avoid significant structural change in the U.S. poultry, swine, beef, and dairy industries.

Natural Resource Policy

Conservation programs will face the same budget scrutiny as commodity and crop insurance programs. The primary question is how a smaller amount of conservation program funding will be allocated among existing conservation programs? Given the relatively high prices that will be experienced during the farm bill debate, there is no question there will be downward pressure on the size of the Conservation Reserve Program (CRP). Other key programs such as the Environmental Quality Incentives Program (EQIP) will certainly feel the budget pressure as well.

Will climate change re-emerge as a farm bill issue? Not likely, as the Republican controlled House of Representatives has indicated that now is not the time to step up regulation for major parts of the U.S. economy. What, if anything, will be done on climate change and greenhouse gas regulation? If anything, it is very likely that the farm bill will spell out that agriculture should not be a regulated sector if and when stand-alone climate change legislation is debated.

Rural Development

For longer than most observers can remember, it has been touted that strong commodity programs lead to strong rural communities. While there certainly is some merit to this argument, over the past 10-15 years there have been many more questions regarding the link between rural prosperity and commodity programs. The literature is ripe with studies that suggest there is much more to rural community vitality than commodity payments. It is hard to disagree that other factors such as employee skill levels, access to the latest technology, and regional shopping patterns are very important.

The next farm bill should provide a good test case of what happens when government dollars—from commodity, conservation, crop insurance, and maybe even food assistance programs—that normally flow to rural areas are greatly reduced. Will the tax base hold up? Will the equipment dealers, input suppliers, elevators, and gins that had been some of the larger employers in a rural area remain? Time will tell as the direction of government spending becomes fairly clear. In either case, rural economic development advocates typically aligned with agricultural industry stakeholders may be looking for new angles to influence farm legislation.

Concluding Comments

The next farm bill will be debated and passed during some of the worst—large U.S. deficit—and best—high commodity prices—of times. Pressure to cut all federal program spending has never been higher. Prices for most farm program crops are near record highs, prompting some members of Congress to ask why farmers need government payments. In this environment, many questions remain for farm bill stakeholders. None of the farm bill beneficiary groups is strong enough to pass a bill alone, but a coalition of groups may find success promoting a compromise of their interests. A coalition of the food insecure interests, rural communities, fruit and vegetable growers, and program crop producers would likely find a more receptive audience than any one or two could find alone. The question is whether groups with diverse and often competing interests find common ground? Or, can they afford not to? The majority of the farm bill budget goes to the poor and food insecure, and less than 15% goes to price and income supports for program crops. Thus, it is tempting to argue about each groups' share of the budget, but competing stakeholders will likely find it is time to work together to be sure there is a budget for the next farm bill.

For More Information

United States Department of Agriculture Economic Research Service. (2008). *The 2008 farm bill side-by-side comparison*. Updated date: April 15, 2009. Available online: http://www.ers.usda.gov/FarmBill/2008/

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