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The Farm Bill: A Twice-Baked Potato

by Heather Lawhon

The $190 billion Farm Security and Rural Investment Act of 2002, passed by Congress and signed by President Bush, was a big mistake. While the Farm Act may serve farmers in the short run, it will harm them and many others over time.

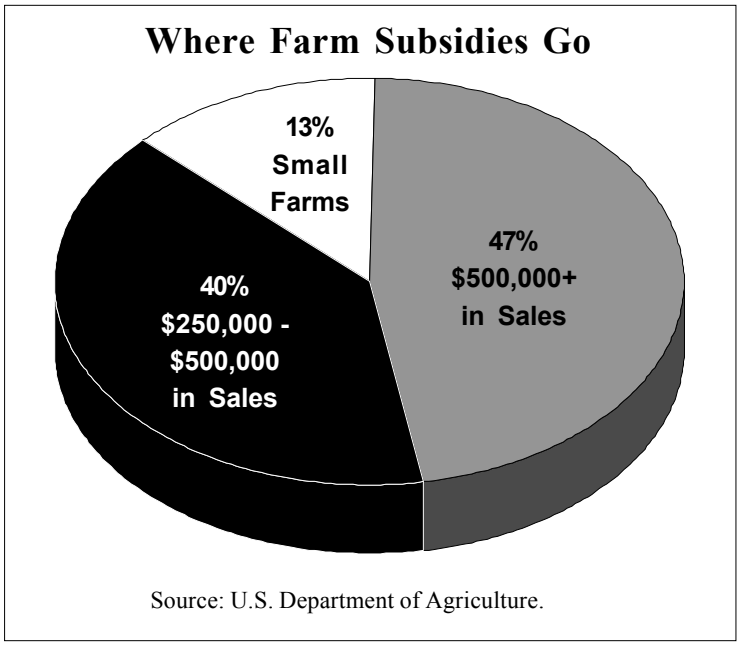
The new law authorizes federal price supports for some commodities, food assistance programs, and expanded agricultural trade, marketing and rural development programs. It will raise spending on these programs by $73.5 billion over the next decade — an increase of more than 63 percent. It includes provisions to promote stewardship of agricultural land and water resources, to improve rural economic and infrastructure development, and to promote federal agricultural and food research.

Supporters argue that the Act will stabilize the agricultural sector and benefit the overall economy. However, it is a flawed approach that will raise costs for consumers and increase the federal budget deficit. It arguably violates international trade agreements the United States has made, and whether it will harm or benefit the environment is debatable.

Subsidizing the Rich. The Act is actually agribusiness welfare, allowing corporate farms to receive many times the payments available to family farmers. This was true of past farm bills, and will remain the case under the new law. For example, the southern corporate farmer Riceland Foods received more than $50 million over the 1996 to 2001 period, and billionaires such as David Rockefeller of Chase Manhattan Bank and Ted Turner of Time-Warner are leading corporate farm-aid recipients. [See the Table.]

An estimated three-fourths of farm aid recipients are corporate farmers. Of $71 billion in aid over the past five years, two-thirds went to just 10 percent of the farms. And in 1999, for example, nearly half (47 percent) of farm subsidies went to farmers with more than $500,000 in sales. [See the Figure.]

Gouging Consumers. Supporters claim that the subsidies from taxpayers in the Farm Act will "only" cost the average household about 35 cents per day, or nearly $130 per year in taxes for each family. But taxes aren't the only cost. By maintaining commodity prices at above-market levels, price supports lead to higher consumer prices. (The government will buy, store, and give away or destroy the overproduction of commodity crops that subsidies encourage.) Thus the Farm Act will increase consumer food costs by $271 billion over the next decade, an average of $2,572 per household, according to Heritage Foundation estimates.



However, since farmers receive only about $0.22 of every dollar spent at the grocery store, they are not the primary beneficiaries of higher prices. Processors, distributors and retailers receive $0.78 of every retail grocery dollar; thus they are the main beneficiaries of higher retail prices.

Enlarging Federal Deficits. The economic recession last year and increased federal spending have turned a budget surplus into a budget deficit. This bill does not help. For example, in addition to increasing farm subsidies, it expands food stamp eligibility to an estimated 390,000 immigrants at a cost of $2.5 billion over a decade. Moreover, two-thirds of food stamp spending replaces what low-income families would have spent on food anyway. Only one third goes to increased food consumption. Thus food stamps are an inefficient way to help both farmers and poor families.

Inhibiting Trade. The Farm Act undercuts support of freer trade in the ongoing Doha round of trade negotiations, where the United States is seeking to

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reduce agricultural subsidies and tariffs worldwide. Currently, a quarter of U.S. farm income is generated from exports. Access to foreign markets is crucial for agricultural profitability. However, increasing subsidies to U.S. agriculture may provoke retaliatory tariffs by other countries. The increased subsidies have been criticized by the World Trade Organization and European Union countries — which argue that farm subsidies are currently three times higher in the United States than in Europe.

Hurting Developing Countries. Furthermore, exports of subsidized crops increase poverty in developing countries. Crop subsidies allow developed countries to flood poor countries with cheap imported food. Farmers in developing countries cannot compete domestically with the subsidized imports, and they cannot sell their products on world market because of the subsidized competition.

Overall, wealthy countries' export subsidies and import tariffs cost poor countries $100 billion a year in lost income, the World Bank estimates — more than twice the amount of aid they receive from the developed world each year.

Harming the Environment. The Farm Act increases spending on conservation program by more than $39 billion, or 40 percent, over the next 10 years. But the environmental benefits of conservation programs may be overwhelmed by the negative effects of overproduction and high intensity farming encouraged by government subsidies.

The conservation programs seek to prevent soil erosion, preserve and restore wetlands, clean the air and water, and enhance wildlife. This includes an additional $9 billion for the Environmental Quality Incentives Program to help producers meet new federal regulations and remedy environmental problems, and another $2 billion for the Conservation Security Program, which rewards farmers for implementing conservation practices on working lands.

Ironically, the environmental problems conservation programs aim to remedy are partially due to 60 years of federal policies. For example, crop subsidies and federal water projects have encouraged the conversion of ecologically valuable wetlands into marginal croplands. The problem of agricultural runoff — the primary source of pollutants in rivers, streams and lakes — is exacerbated by crop production programs that encourage intense cultivation, leading to overuse of pesticides and fertilizer. Wild rivers have been dammed to make arid lands available for farming. Soil erosion has increased and wildlife has suffered.

Conclusion. The Farm Act is a complete retreat from the 1996 Freedom to Farm Act, which sought to institute a free market in agriculture. The Freedom to Farm Act replaced traditional subsidies to farmers with a fixed but declining level of transition payments — $36 billion over seven years. At the end of seven years, unless Congress acted, the previous farm subsidies would come into effect. Not only did Congress choose to act, they increased the subsidies by $73.5 billion.

Yet there are few winners in the Farm Act. It increases costs for consumers and increases the budget deficit, but most of the benefits will not go to family farmers. The increased subsidies may lead to trade retaliation. The environmental benefits may not outweigh the harm done. And those farmers who reap its benefits today may soon find it has sown the seeds of financial disaster.

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Top 10 Recipients of Farm Subsidies*
(1996-2001)

Rank Name	Farm Subsidy Total
Riceland Foods	$50,765,134
Farmers Rice Co-op	40,064,101
Harvest States Co-op	37,379,999
Tyler Farms	31,916,336
Producers Rice Mill	23,245,397
DNRC Trust Land Management	21,249,638
Missouri Delta Farms	20,521,763
1st National Bank Sioux Falls	18,865,172
Montana Board of Investments	12,692,206
Bureau of Indian Affairs	9,263,779

* Figures may not include farms owned under a relative's name or separate company. Listed co-ops may also then distribute payments to individuals famers.

Source: Environmental Working Group based on U.S. Department of Agriculture data.