THE ENVIRONMENT OF THE NEXT FARM BILL DEBATE

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As is always the case, the approaching end of a farm bill brings many questions. At this stage—with the 2012 crop year still covered under current legislation—the pressing questions revolve around: When? When will the debate begin in earnest? Will the House or Senate Ag Committee lead the way? Will the debate start and conclude in time for a policy to be in place before farmers make 2013 crop decisions? Or, will an extension of current legislation be necessary? Should we call it the 2012 Farm Bill, or will it not happen until 2013? Certainly, the congressional turnover of the 2010 elections has had an impact on the farm bill debate process. New leadership in both the Senate and House Agricultural committees requires the development of leadership priorities, agendas, committee staffing, and engaging stakeholders. How quickly these get off the ground will dictate how soon the committees can seriously take up the next farm bill. What we know for certain is that the current farm bill will expire after the 2012 crop year, and we will not plant the 2013 crop under 1949 permanent legislation provisions. So, ready or not, the debate begins.

Moving beyond “when” and into the more interesting question of “what” opens many more questions about the appropriate direction of U.S. farm and food policy. Agricultural economists over the years have played various key roles in farm policy. Some have been involved in developing ideology and/or specific programs to implement a set of policy ideals. Others are heavily involved in teaching or facilitating appropriate policy development processes. Traditionally, a large number of agricultural economists have filled the position of unbiased analyst. The analyst role stretches from evaluating potential impacts of policy options to providing impartial education for a wide range of stakeholders and policy decision makers. In the spirit of the latter role, this theme of four articles analyzes the environment in which the next farm bill will be developed. Rather than offering specific solutions, the articles lay out the key factors that will drive the farm bill debate.

Providing a first-hand perspective of policy development from within the U.S. legislature, Mercier describes the factors that will most influence the coming farm bill. She illustrates the political environment including issues of committee leadership, partisanship, and the longer term changing influence of agriculture and rural America. Included in the article is a glimpse of the landscape specific to a few key farm bill program areas. Finally, she concludes with a discussion of how the limited budget will impact both the process and content of the next farm bill.

An article by Outlaw, Richardson, and Klose presents a discussion of the traditional objectives of agricultural policy and the various stakeholders involved. Stakeholder influence fluctuates as the political environment changes and interest groups’ goals evolve. The article describes the influential stakeholders and the critical issues that will direct policy development in five major categories of farm legislation: food policy, farm policy, energy policy, natural resources and the environment, and rural development. Among stakeholder groups there is always an interaction of ideas when it comes to formulating policy. That interaction can either be collaborative or competitive in nature, but rarely are the interests of different groups independent, especially in a limited budget environment where competition for funding is a given. The article highlights the current situation, where collaboration may be of critical importance.

Another significant factor in the landscape of debating farm policy is the extent to which existing trade agreements, current trade negotiations, and participation in the World Trade Organization (WTO) will influence domestic policy.
programs. While trade agreements and farm policy can develop independently, the results of either can have inseparable implications for the other. Josling reviews the general environment of agricultural trade in today’s global economy, and the factors that may impact the future of U.S. agriculture exports. The article outlines the status of WTO Doha negotiations and various bilateral and regional trade agreements. Finally, he discusses the resolution of trade conflicts, and the potential implications for domestic farm policies.

Many people within traditional agriculture interests pay little attention to food policy, but those heavily involved understand its significance. The societal goal of reducing food insecurity has a strong and broad appeal, and therefore has become an important political complement in farm legislation. The final article in the theme is written by Paggi, who describes the current environment of food and nutrition programs that have recently evolved to consume the lion’s share of farm bill funding. He presents the status of U.S. food insecurity as well as health issues that impact food supplement and nutrition programs. He also highlights the very difficult issue of evaluating the impact of food programs in light of budget pressures that will inevitably scrutinize all aspects of the federal farm bill spending.

The next farm bill debate will be a difficult one with the ever changing landscapes of agriculture and food markets, along with the federal budget situation. The four articles of this Choices theme present the broad spectrum of issues that will impact debate over the next farm bill and the future direction of U.S. farm and food policy.

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EXTERNAL FACTORS THAT WILL DRIVE THE NEXT FARM BILL DEBATE

Stephanie Mercier
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Keywords: Farm Bill, Federal Budget Deficit, Congressional Budget Office, Political Stakeholders, House Agriculture Committee, Senate Agriculture Committee, Permanent Legislation

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, Farm Bill Stakeholders: Competitors or Collaborators?, Trade Issues in the 2012 Farm Bill, and Food and Nutrition Programs in the Next Farm Bill as part of this theme.

As with any policymaking process, the final product of the current farm bill debate, expected to culminate in 2012 by the time the Food, Conservation, and Energy Act of 2008 expires, will reflect a combination of external forces and internal policy tradeoffs. The range of issues covered in farm bills continue to expand far beyond traditional farm and commodity policy, a trend that started in the 1970’s with the arrival of nutrition assistance programs. This paper will focus on the key external factors that are generated within the United States, specifically the impact of the changing political, demographic, and budgetary environments.

Political Environment

In recent decades, federal agricultural policymaking has largely been a bipartisan process. Such divisions that occur on specific policies typically fall along regional and not party lines, primarily reflecting variation in the dominant crop and/or livestock structure across the country rather than ideological differences. This tendency was demonstrated in the 2008 Farm Bill, which was developed on a bipartisan, consensus basis throughout the process. The bill attracted more than a super-majority of votes in both the House of Representatives and the Senate in twice overriding President Bush’s vetoes of the legislation.

However, the partisan divide in Congress has recently become strikingly more entrenched. It is difficult to see how the combative tone that now characterizes most party interactions in Washington, DC won’t affect the political dynamics of the House and Senate Agriculture Committees that have primary jurisdiction over the policy areas included in the farm bill. In particular, the emergence of the Tea Party movement as a force within the Republican Party contributed strongly to that party’s takeover of the House in the 2010 elections. Of the 87 new Republican House members for the 112th Congress, more than half gained their seats with the backing of various Tea-Party groups, many of whom are now members of the Agriculture Committee. The composition of the Democratic side of the Committee also changed, with many farm state Democrats who lost re-election being replaced by more liberal members.

While agricultural policy was rarely discussed by any Congressional or Senate candidates in the 2010 campaign, one of the few clear tenets of the Tea Party movement is to reduce spending by the federal government and thus the role of government in U.S. society overall. The result of the clash of that objective with the substantial policy intervention represented by current U.S. food and agricultural policy will clearly influence the make-up of the bill that will emerge from the House of Representatives. Interestingly, the structure of House rules gives the majority party a nearly exclusive role in shaping legislation. That legislation will have to be reconciled with the version that emerges from the Senate, which is still controlled by the Democratic Party, albeit by a modest 53-47 margin. The bill must also be acceptable to President Barack Obama.
Changing Demographics

Steady gains in agricultural productivity over the last several decades have allowed the U.S. agricultural sector to continue to produce more output with a smaller share of the population involved in the activity. During the 20th century, the overall U.S. population grew 270%, while the number of U.S. farms fell by 60%. Over the same period, average national corn yields increased nearly 350%, generating a 275% increase in overall production on nearly 25% fewer acres harvested for grain.

This shift in productivity and population means that relatively few voters have a general interest in the outcome of the farm policymaking process and even fewer are concerned about the details of the various programs that make up the farm safety net. Out of a U.S. population estimated by the 2010 Census at 308 million, about 2.2% (6.8 million) are farm operators or farm household members. Only 838,391 farms reported receiving government payments in 2007, according to the most recent Census of Agriculture.

From the perspective of formulating agricultural policy, the geographic concentration of farming as an economically important activity is as important as the share of the overall population directly involved in U.S. agriculture. Over the past half century, the portion of the country where agriculture is a significant driver of the economy at the county level
has shrunk dramatically. As defined by USDA’s Economic Research Service, a nonmetro county is deemed to be ‘farming-dependent’ if at least 15% of its residents’ earnings or employment are generated in the agricultural sector. Figure 1 indicates that such counties dominated more than two-thirds of the country in 1950, while 50 years later, they clustered in a region located almost entirely west of the Mississippi River, one that stretches from the Texas panhandle northwest to western Montana, with others scattered throughout the rest of the country. This shift is occurring even in states which are significant farm states as measured by total receipts from agriculture. For example, California has led the country since 1948 in state’s total value of agricultural production ($37.8 billion in 2009), but only five out of 57 counties are classified as non-metro farming-dependent—Colusa, Glenn, Imperial, Merced, and Tulare.

The political implications of these demographic changes are that a declining number of members of Congress face significant constituent pressure to vote in favor of farm bills based on the commodity title, containing the programs that support the farm income of producers of major row crops. Almost all Senators represent farmers as state-wide elected officials, but that rule of thumb does not hold for the House of Representatives. As compiled from the 2007 Census of Agriculture, more than one-third of House members represent fewer than 1,500 farmers in their district. For purposes of comparison, the average Congressional District had a population of about 615,000 in the decade that just passed.

**Stakeholder Group Participation**

Despite the erosion in support for the basic commodity programs due to the political and demographic changes described above, the groups that represent producers and agribusinesses will still have a critical role in shaping the farm bill that emerges from the respective Committees of jurisdiction in the House and Senate. For the most part, members of Congress choose to serve on these Committees due to their desire to protect the interests of farmers in their districts or states, not to dismantle programs seen as crucial to those interests. As the number of members whose support for commodity programs reflects a priority for their constituents has declined, the Committee leaders have reinforced core support for the farm bill process by adding programs and provisions to the legislation that appeal to a broader set of interest groups and constituents. This development is consistent with a long-honored legislative practice often referred to as ‘log-rolling’. Defined as the exchange of support or favors, especially by legislators for mutual political gain as by voting for each other’s bills—many etymologists attribute the phrase’s first use in this context to the legendary Davy Crockett, who served as a member of Congress for Tennessee between 1827 and 1831.

Although food stamps intended to provide poor families assistance to purchase food were offered in 1939 under a pilot program, the first nationwide program was established in 1964 in legislation which also included higher support prices for cotton and wheat. The main advocacy group supporting U.S. nutrition policy, the Food Research Action Center (FRAC), was founded in 1970, and the next farm bill, the Agriculture and Consumer Protection Act of 1973 was the first farm bill that fully incorporated food stamp provisions. In recent years, a combination of high commodity prices which reduces farm program spending and a poor employment environment has led to a situation where the majority of funding under the Agriculture Committee jurisdiction actually goes to nutrition programs. In the 2008 Farm Bill, in which the name of the food stamp program was formally changed to the Supplemental Nutrition Assistance Program (SNAP), funding for SNAP and related nutrition activities accounted for more than two-thirds of total spending over the next ten years as projected by the Congressional Budget Office (CBO).

More recently, various farm bills have added significant programs—the Environmental Quality Incentives Program (EQIP)—which was focused on helping livestock operators meet environmental regulatory requirements, was started in 1996 and greatly expanded in 2002; renewable energy, gaining a separate title in the 2002 Farm Bill; and specialty crops, addressed in a separate title in the 2008 Farm Bill—all bringing new constituencies into the process. For similar reasons, maneuvers to strip the Agriculture Committees of major areas of jurisdiction have typically been opposed by Committee members. A concerted effort by the Republican House majority in 1995 as part of The Contract with America to convert funding for school lunch programs into block grants transferred to the states was vigorously resisted on a bipartisan basis by members of the Senate Agriculture Committee, and was never enacted into law.

Most ideas put forward by members that end up in farm bills originate with stakeholder groups, although the successful proposals will ordinarily be fleshed out and modified during the legislative process to address other members’ concerns and budgetary or other constraints. Inevitably, those policy proposals have the goal of maintaining or even expanding the benefits for the stakeholders involved. For example, the original concept of the Average Crop Revenue Election (ACRE) program included in the 2008 Farm Bill as an alternative for farmers to the more traditional price-based countercyclical payment program (CCP) came out of policy discussions by the National
Corn Growers Association (NCGA) and American Farmland Trust, working with academic agricultural economists. NCGA members felt that existing programs did not adequately account for the changing cost structure of crop production, and wanted a program that could adjust to a higher price/cost environment.

Average Crop Revenue—the election part came later—was initially developed as a county-based revenue program that included an effort to integrate with the federal crop insurance program by making only one payment to producers to compensate for revenue losses that occur state-wide and thus reimbursing to farmers a portion of the crop insurance premium they would have otherwise paid for their coverage. It was envisioned as a full replacement for the CCP program for all program crop producers. As eventually configured, ACRE is a state-based revenue program that made no changes to the crop insurance program. Largely because it is relatively complex and requires producers to surrender 20% of their direct payments on program crop acres to enroll, it has attracted less than 14% of total base acreage into the program through the 2010 crop year, almost exclusively from wheat, corn, and soybean producers.

In the last few farm bills, outside groups without a direct vested interest in farm bill programs have increased efforts to influence the course of the debate. An eclectic group of environmental, humanitarian, and libertarian organizations such as the Cato Institute, Oxfam, and the Environmental Defense Fund established a coalition entitled the Alliance for Sensible Agriculture Policies to fight for reform of farm policies in the 2008 Farm Bill cycle, with the goal of benefiting farmers by rewarding stewardship, expanding markets at home and abroad, and encouraging entrepreneurial innovation. A number of other groups also got involved in separate efforts, including a coalition of faith-based organizations that launched the “Green Ribbon Farm Bill Campaign”, aimed at shifting funds for commodity payment programs to the fight against hunger and poverty.

Given the composition of the Committees with jurisdiction, legislative proposals that would radically change programs have historically had little prospect of inclusion in the initial version of the bill that is reported out of Committee. Once the legislation is sent to the floor for consideration by the respective full bodies, more opportunities for change exist. House floor amendments were offered by Representatives Ron Kind (D, WI) and Jeff Flake (R, AZ) in both the 2002 and 2008 Farm Bill debates that would have represented major reforms to farm policy if adopted, shifting a significant share of funding from farm safety net programs to conservation programs. This approached garnered 200 votes in the first go-round in 2001, but only 117 votes in the follow-up effort in 2007. In the Senate with its open debating rules, there are always ample opportunities to offer amendments to a Committee-reported bill. During Senate floor consideration of the previous farm bill, more than 350 amendments were filed during 17 days of debate late in 2007, with 15 recorded roll-call votes. A companion bill to the Kind-Flake substitute, offered by Senator Richard Lugar (R, IN) as part of the 2008 Farm Bill debate, received 37 votes in the Senate.

While none of the bolder reforms sought by the outside groups were adopted in the 2008 Farm Bill, their participation in the process likely pushed the compromises reached on certain policies, such as payment limitation provisions and additional funding for conservation programs, further in the reform direction than the main agricultural stakeholders would have preferred. Most farm groups went into the farm bill process hoping for an overall increase in funding for their support programs. In the enacted version, the commodity and crop insurance titles were actually net donors in terms of distribution of mandatory funds, although that status was largely achieved with the use of budgetary timing shifts—which harm recipients only in terms of the opportunity cost of deferred payments—and not full-blown cuts. The bulk of the funding gains were realized in the nutrition, specialty crops, and conservation titles, all supported by the outside groups mentioned above.

**Budgetary Environment**

A complex combination of factors has led the U.S. government into its current fiscal situation, in which the amount of federal spending significantly exceeds the revenue coming in. Policy decisions made back in the 1990's, including providing the tax cuts of 2001 and 2003, embarking on the wars in Iraq and Afghanistan, and expanding the Medicare program to cover most of recipients' prescription drug costs, helped create a significant structural budget deficit. CBO projected prior to the 2008 financial meltdown, in the March 2008 official baseline forecast, that the deficit would total more than $2.1 trillion over the 2009-2018 period. Subsequently, the deficit has been amplified by outlays from the Troubled Asset Relief Program (TARP) to bail out distressed financial institutions and the spending provisions of the American Recovery and Reinvestment Act of 2009, or stimulus package. Reduced tax revenue due to the 2007-2009 U.S. recession, the tax cuts in the stimulus package, and the two-year extension of the 2001 and 2003 tax cuts in late 2010 have contributed even further to the deficit. As of January 2011, CBO forecast the cumulative deficit for next ten-year period, 2012-2021, at nearly $7 trillion.

As mentioned above, a major focus of the Republican House majority for the 112th Congress is to reduce federal government spending. In the previous two farm bills, the House and Senate Agriculture Committees were able to
devote additional mandatory funds to adding, expanding or improving programs for the 2002 Farm Bill in the amount of $73.5 billion over ten years and $10 billion over ten years for the 2008 Farm Bill. In the next farm bill, those Committees are likely faced with a situation where the best they can hope for is to make do with existing funding available under the CBO baseline estimates at the time. Under similar circumstances in the past, core agricultural stakeholders have pressed for legislation which simply 'extends' the provisions of the current farm bill, and such an approach is likely to be suggested again. However, funding provisions for 36 programs in the 2008 Farm Bill were written in such a way so as to not provide funding in the out-years, i.e., beyond 2012 (Monke). The Congressional Research Service has tallied the cost of renewing those programs for an additional five years at $9 billion, with the three largest, the Supplemental Revenue assistance program (SURE)—the permanent crop disaster assistance program, the Wetlands Reserve Program, and the Biomass Crop Assistance Program, accounting for about 75% of the total. A debate over such an extension would test the continued clout of the farm groups, who want to preserve the current farm safety net programs in the farm bill process, against other groups that would like to see funds shift in other directions, such as toward conservation and renewable energy.

The 2010 report prepared by the co-chairs of the President’s National Commission on Fiscal Responsibility and Reform included a recommendation that net spending on the next farm bill be reduced by a total of $10 billion over ten years, that would include a funding extension for SURE and other disaster programs at a five-year cost of $5 billion. However, that report has no official standing because it failed to garner sufficient support among Commission members, gaining the support of 11 of 18 members while the President’s mandate required 14. In late April 2011, the House voted on a party-line basis to approve a FY12 budget resolution that would cut $178 billion over ten years from programs under the Agriculture Committee’s jurisdiction, including $123 billion from nutrition programs and $30 billion from farm programs. That bill was rejected by the Senate on May 25, 2011. The Senate Budget Committee chairman has not yet introduced his own version of the FY12 budget resolution, although Senator Conrad (D, ND) did serve on the President’s fiscal reform commission and supported its recommendations.

If the Agriculture Committees do in fact face reconciliation instructions in the upcoming fiscal year, this would encompass specific amounts that would have to be cut in the first year, over the first five years, and over the full ten years, although it leaves discretion to the Committees to decide what programs to cut. This legislation would be the first farm bill since the Federal Agriculture Improvement and Reform Act of 1996 (FAIR Act) to be crafted under such circumstances. In addition to specific budget reconciliation instructions, both bodies would operate generally under budget rules which require that any new spending be 'offset'. For the 112th Congress, the details of those rules differ somewhat between the two bodies—in the Senate, 'Paygo' requires new spending be matched by spending reductions or increases in revenue, while in the House, the offset can only be achieved through spending reductions.

Concluding Comments

Each of the last three farm bills took longer than originally envisioned, spreading over portions of at least two calendar years in each case. If the next farm bill is not completed by the time the 2008 Farm Bill expires on September 30, 2012, Congress will be faced with a choice of a simple extension of the current farm bill—as happened several times during the final months of the 2008 Farm Bill debate—or the lapse of current law and for some policy areas the programs would revert to long-standing statutes known as permanent legislation, which were the farm laws passed back in 1938 and 1949. The Agriculture Act of 1949 Act established ‘parity’ prices for certain commodities based on high market prices of nearly 100 years ago, adjusted for inflation. For example, the support price for milk under permanent legislation would have been at least $30.30/cwt in 2008, as opposed to an all-milk price for farmers that averaged $18.41/cwt for that year (Monke et al.). The high cost of running these programs under permanent legislation normally dissuades Congress from letting farm bills lapse. If the farm bill process is not completed by the end of 2012, none of the work accomplished in one Congress formally carries over into the next, so the legislative process would have to restart from scratch in 2013.

As the new leadership of the House and Senate Agriculture Committees begins to prepare for the next farm bill, the external conditions they face are in many respects similar to what the Committees in the 104th Congress dealt with, when the FAIR Act of 1996 was passed. These factors include a divided government, with a President of one party and at least one of the houses of Congress in the control of the other party, and a political dialogue driven at least in part by the size of the federal budget deficit. That set of factors were important drivers to a farm bill in 1996 that contained a number of reforms to basic farm programs, although the collapse of commodity prices internationally a few years later led Congress to add back programs with countercyclical elements in the 2002 and 2008 Farm Bills, an approach that had been largely eliminated in the FAIR Act. However, it is too early to predict whether history is on track to repeat itself.
For More Information


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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:
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.

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TRADE ISSUES IN THE 2012 FARM BILL

Tim Josling
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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, Farm Bill Stakeholders: Competitors or Collaborators?, and Food and Nutrition Programs in the Next Farm Bill as part of this theme.

Trade conditions provide an important part of the economic environment in which the 2012 Farm Bill will be debated. Among these conditions are the health of the world economy, the strength of the dollar, the path of world commodity prices, and the situation in energy markets. In addition, the political and diplomatic activities resulting in trade disputes, negotiations, and agreements will also be a factor in the prospects for expanding markets overseas and the degree of competition faced by U.S. farmers at home and abroad. These elements will provide the backdrop for the domestic legislative process even if not directly reflected in the bill itself.

This article offers a perspective on the international aspects of the environment in which the farm bill will be decided. The emphasis will be on issues related to world agricultural trade, trade agreements, trade disputes, and international standards. These matters are at least, in part, subject to sensible speculation. The rate of growth in the world economy over the life of the next Farm Bill, and the fate of the dollar over that period, are matters for metaphysical conjecture as much as economic analysis.

World Agricultural Markets

The past five years has seen a remarkable amount of volatility in world agricultural and food markets, as well as in commodity and energy markets. Not since the 1970s has there been such a series of price surges driven by real or anticipated shortages. Stocks have been inadequate to smooth markets, and futures markets have on occasions added to instability rather than dampening market volatility. These issues have received high-level attention, appearing on the agenda for meetings of the world’s political leaders. Intergovernmental institutions have been called upon to monitor and report on the twin issues of food security and price instability. And beneath the surface are concerns about the capacity of the world’s agricultural and food system to meet the future demands of an expanding global population. If output fails to keep up with growing demand, then relative prices of foodstuffs will rise, reversing the trend for the last four decades of the twentieth century.

This period of instability and concern about future food security has been reflected in the ongoing debates about domestic farm and food policy. At one level it has led to proclamations that support for farmers in developed countries, such as the United States and Europe, should be continued for the purposes of ensuring that supplies are adequate in the future. So far, this argument has not achieved much traction: during a period of high prices it is less easy to make the case that farmers require subsidies in order to stay in business. So the more constructive aspects of the discussion have been on the impact of price instability on hunger and the need to absorb some of risks inherent in farming.

With respect to the impact of food prices on hunger, it should be emphasized that the United States has in place a massive program of food assistance, now called the Supplemental Nutritional Assistance Program (SNAP) and formerly known as the Food Stamp program that reaches over 40 million consumers. Its cost is currently estimated at $75.3 billion for 2011, a sum that accounts for over 75% of the Farm Program costs. But the United States also is involved in assistance to overseas consumers. The Food Aid budget runs at $2.8 billion each year and the President
has launched a Feed the Future initiative that aims to help developing countries institute their own solutions to food insecurity. These programs cost more when prices are high, but are also subject to being cut at times of budget stringency and they face scrutiny in the multinational trade negotiations.

To the extent that domestic markets in many countries are now closely connected with world markets, instability of farm product prices can pose serious problems for farmers. Each country has its own remedy for this. In the United States, crop insurance has become a major component of the "safety net" as price supports such as loan deficiency and countercyclical payments recede in importance. In the EU, the consolidated "single farm payments" act as a stable income source enabling farmers to take risks in adapting to market openings. Though questions remain about the distribution of such payments, there is no move to curtail them at this time.

In addition to influencing the terms of the domestic debate, world prices influence US agriculture, and thus the context for the Farm Bill, through export performance. US exports have been growing rapidly in the past few years, providing much needed income at a time when domestic sales were flagging. This year the value of exports is expected to be over $135 billion (USDA, 2011). The current expansive situation depends however on the continuation of the growth of the global economy, particularly the larger emerging economies such as India, China, and Brazil.

Growing demand for food in other countries does not guarantee expansion of U.S. farm exports. The competitiveness of such exports is determined in part by developments abroad but in part by domestic policy decisions and economic conditions. Competition from Argentina and Brazil for crops, as well as Australia and New Zealand for livestock products, has intensified in the past decade, though medium term currency movements often hide changes in underlying costs. Fuel and fertilizer costs have also become significant constraints for U.S. farmers as they expand exports, though many of these cost increases are shared with competitors.

Among the domestic policy determinants of competition are the costs associated with regulations. The farm sector has become concerned about the expansion of regulations relating to dust and air pollution, ground water contamination and greenhouse gas emissions. The issue has taken on a political dimension that makes resolution more difficult. The Environmental Protection Agency (EPA) has taken the brunt of the criticism, and is often seen as being less than sympathetic to farm concerns. The EPA, as with other agencies, is vulnerable to cuts in the appropriation of funds to operate its programs.

Perhaps the most significant impact of world prices on U.S. farm policy is manifest through the budget available for farm programs. When world prices are high, spending on farm programs declines. One might think that this would be welcomed, as the opposition to such programs would be muted. But the baseline for future programs is also reduced, limiting the funds that would be available in a subsequent period of low prices. Much of the farm bill debate is about spending priorities—such as between commodity programs, crop insurance, conservation and food stamps—with the amount of expenditure available being in part a function of world price developments. If farm program proponents become convinced that the world is likely to experience high commodity prices for the next decade or so, then direct payments that are not price-linked may be the preferred instrument. If the feeling is that farm prices are likely to fall back in a year or two, then price-linked payments and insurance instruments would be more attractive.

The Doha Round

The WTO Doha Round of trade negotiations has staggered on for close to a decade. The agricultural talks have been largely, though not entirely, responsible for the slow progress. Other areas of the talks, such as tariffs on manufactured goods and further opening up of service sectors, were virtually neglected for the first years of the negotiations. As a result, the crafting of a "package" acceptable to all WTO members has so far proved impossible. In agriculture, the main issues have been the depth of tariff cuts for farm products, the elimination of export subsidies and the tightening of the allowable limits of trade-distorting domestic support (WTO, 2008). Currently the agricultural talks are virtually complete with only a small number of items where tough political decisions will have to be made. In the meantime, trade officials are considering what limited agreements could be reached in December 2011 to ensure that the Round does not grind to a complete halt.

For agriculture the outcome of the Doha Round, if agreement can eventually be reached, can be assessed with some degree of confidence. Translating that into actual impacts on particular markets or trade flows is much more difficult because that requires speculation on the actions of other countries and the reactions of competitors.

One certain outcome is that export prospects for the major U.S. farm and food sectors are likely to improve steadily if not dramatically with the conclusion of the Round. The most significant aspect of the agricultural talks is that of market access. The Uruguay Round provided a more transparent basis for trade negotiations by obliging the
conversion of virtually all non-tariff trade measures into tariffs. However, the cuts in those newly bound tariffs were minimal, 36% on average for developed countries, but, in effect, rather less. The Doha Round would cut developed country agricultural tariffs by 50-70%, with the higher cuts applied to higher tariffs (Martin and Mattoo, 2011). However, countries could designate up to 4% of tariff lines as “sensitive” and compensate for smaller tariff cuts by offering more reduced tariff rate quotas (TRQs). Though this would modify the impact of tariff cuts, it would not offset their effect entirely: the minimum average cut across products would have to be 54%.

Somewhat less ambitious cuts are likely to be made in tariffs in developing countries. Part of this is a result of the fact that WTO negotiations center on bound, or maximum, duty rates rather than the applied rates that are often much lower. Developing importing countries prefer to keep high bound rates, enabling them to raise tariffs if circumstances require. Exporters seek to lower these bound rates even when there is little immediate impact on market access. In addition, the bound rates apply to non-preferred suppliers: most countries are members of one or more preferential regional or bilateral trade pacts that have reduced or eliminated tariffs among themselves. In these cases, reductions in bound tariffs may still not be enough to make nonpreferred suppliers competitive. In spite of all these caveats, developing country tariffs on agricultural products will be reduced in a Doha agreement, though by a maximum of 36% on average.

As with most trade negotiations, tariff reductions are reciprocal. The United States has a significant market that other countries wish to supply. U.S. imports of agricultural goods are estimated to be about $88 billion this year. Tariffs on imported agricultural and food products are generally low, but some product markets are still protected by significant tariffs and TRQs. From the viewpoint of the Farm Bill, a cut in tariffs for sugar and dairy would restrict the ability of domestic policy to maintain high prices. Dairy producers are already contemplating an alternative policy and sugar producers have been under notice for some years that this program may eventually be wound up. Lower tariffs and expanded TRQs, if the United States were to designate these commodities as sensitive, would increase the pressure for change.

Though less immediately significant in terms of trade expansion, the constraints on export subsidies are of systemic importance. Export subsidies were limited in the Uruguay Round, but it was not until the Doha Round that their elimination became politically possible to negotiate. The EU has been the major user of export subsidies for the past few years, and the United States’ export enhancement programs have largely been phased out or made consistent with WTO rules. One export program that could be affected, however, is food aid. The United States is a significant contributor to in-kind programs that are based on U.S. products and that allow recipient governments and nongovernmental organizations (NGOs) to sell the products in the marketplace. Other food aid donors prefer cash contributions that allow recipient governments to purchase supplies from the most convenient source, often a country in their own region. The Doha restraints on food aid will not cut the provision of emergency aid or hunger relief efforts, but may make the United States change its distribution policies.

The constraints put on domestic farm support programs by the Uruguay Round were major steps towards limiting the use of subsidies that distort trade. As the major champion of this approach, the United States saw it as a way of keeping the EU and other developed countries from undercutting market access gains with domestic subsidies. The Doha Round provides an opportunity to scale back all price-related programs to 20-30% of their current limits. The projections for the United States, Japan and the EU are for domestic support payments to be below these new Doha limits; but, in the case of the United States, the picture could change with sharply lower world prices (Orden, Blandford and Josling, 2011). For U.S. agriculture, the question is whether to take the risk that U.S. policy spending on price-related programs may be constrained in the future in order to get the assurance that competitors cannot increase their own spending on such programs.

One important product that has given a boost to U.S. corn prices, and land prices, in recent years is not subject to the same WTO disciplines in the Doha Round. Ethanol is classified as an agricultural product, but the U.S. “special duty” on ethanol imports is not included in the agricultural tariff schedule that would be subject to cuts in the Doha Round. And the subsidies to ethanol—the volumetric tax credit given to blenders to encourage them to use ethanol and meet Congressional mandates—are not included in the domestic support that would be subject to reduction. The issue of subsidies that encourage consumption have not been a concern in the past in trade rules. But the concerns about the impact of biofuel mandates on food prices have led to a reconsideration of this neglect.

**Bilateral Agreements**

The languid pace of the WTO Doha Round is in contrast to the almost frantic activity in the last decade as countries signed some 200 more limited trade agreements on regional or bilateral levels. These agreements have often been dismissed as being of little interest in opening up agricultural markets because countries made certain, through quotas and long transition periods, that their domestic farm sectors were not immediately threatened. But the long
transition periods are coming to an end and only the most sensitive agricultural sectors have been granted continued exemption (Josling, 2009a). The enthusiasm for these preferential trade pacts ebbs and flows, but their cumulative impact is beginning to be a major factor in agricultural markets.

In the United States, the spate of small-but-interesting bilateral agreements came to a halt after the adoption of the Central America Free Trade Agreement (CAFTA) and the inclusion in that agreement of the Dominican Republic. The last three agreements negotiated by the previous Administration—with Korea, Colombia, and Panama—still await Congressional approval. The agreement with Panama is of relatively small significance for agriculture, but would bring some political benefits in the region. That with Colombia is of greater benefit for U.S. agriculture, in particular because some competitors have recently been granted access to that market. Korea is the biggest prize, but again U.S. agriculture could find itself with less free access than competitors if the agreement is not ratified soon. At present there is a disagreement as to whether to link the passage of all three agreements to extension of adjustment assistance for workers whose jobs might be displaced. But it still seems likely that the trade pacts will be ratified within this calendar year.

The latest set of trade negotiations has the most potential for future export growth. In May 2006, four countries—New Zealand, Singapore, Chile, and Brunei—formed an informal group to promote free trade in the Pacific region. Two years later the United States indicated a willingness to join this coalition, and this led to the inclusion of Australia, Peru, and Vietnam in the talks on an expanded free trade agreement. The initiative was renamed the Trans-Pacific Strategic Economic Partnership (TPP) and nine countries—including Malaysia—are currently in negotiations. The aim is to eliminate all tariffs within 12 years, with 90% of trade being free after the first year. The significance of this move is in its value as a framework for others to join. It is seen as a complement to the “unilateral” approach of the Asia Pacific Economic Cooperation (APEC) process that emerged 10 years ago. Agricultural trade would be among the most significant aspect of such an agreement, if progress continues to be made.

Trade Conflicts

Negotiating a trade agreement implies a commitment to reduce trade barriers and to allow more competition. Trade conflicts arise generally within such agreements when political pressures in one country lead to actions that appear to other trade partners to violate those agreements. The WTO has a strong and effective dispute settlement regime and many of the regional and bilateral trade agreements have similar provisions. The United States was broadly in favor of such provisions as a way to put pressure on large trade partners—such as the EU and Japan—to comply with agreed upon rules. Thus the WTO dispute settlement regime took on the task of resolving some contentious agricultural trade disputes that had emerged through the 1980s. But the nature of such conflicts has changed somewhat over the years (Josling, 2009b). Now developing countries often make use of the dispute settlement system when they feel that developed countries are violating the rules. The United States has been challenged by several countries in the WTO for aspects of domestic policy that are arguably at odds with agreed-on commitments. The outcomes of these cases have had a direct impact on domestic farm policy.

This is seen most clearly in the case of cotton. Brazil successfully challenged several aspects of the policy for upland cotton, notably the “step 2” subsidies to processors, the export credit programs, and the price-linked payments under the commodity programs. Direct payments were not found to have caused “serious prejudice” to Brazilian cotton farmers, though the WTO panel did query their compatibility with the rules of the green box. At issue was the provision that prevented the cultivation of fruits, vegetables, and wild rice on land eligible for direct payments. A more general challenge was later mounted by both Brazil and Canada on the designation of direct payments and certain other subsidies as green box support. These countries claimed that with correct notification, the United States would have exceeded its commitment for trade-distorting support, also known as total aggregate measures of support (Total AMS), in several recent years. This case is ongoing, but its significance depends on whether the Doha Round is concluded. Other WTO cases are likely to impinge on U.S. farm policy and the writing of the Farm Bill. One of these is the requirement for country-of-origin labeling (COOL) that has been challenged by Canada and Mexico as an undue impediment to their livestock sectors (Sawka and Kerr, 2010).

Concluding Comments

The international economic outlook for U.S. agriculture is essentially positive. If emerging economies continue their impressive growth then farm and food exports should continue their strong upward trends. A conclusion of the Doha Round would contribute to this export expansion even though some protected sectors, such as sugar and dairy, would face increased competition from abroad. In addition, the completion of the Round would meet many of the objectives that U.S. agriculture has had over the decades, limiting high levels of domestic support in other developed countries and eliminating the practice of subsidizing exports. It would be somewhat perverse if these desirable
outcomes were to be ignored in favor of keeping a little more flexibility for domestic policy. But perversity is not unknown in the area of farm policy.

Ratification of the three pending trade agreements would also confirm the willingness of the United States to pursue a policy of open markets in farm goods. The agreements with Colombia and Panama would fit in with a hemispheric approach to trade policy aimed at countering competition from Argentina, Brazil, and Chile in the region. Ratification of the agreement with Korea would have more significant trade implications and could be the turning point in the Asian region, where agricultural trade liberalization still meets strong resistance.

But how significantly the conclusion of the Doha Round and a ratification of the three bilateral agreements would influence the farm bill is less than clear. The Doha Round would certainly put additional constraints on trade-distorting subsidies, but the new rules might only be felt if world prices were to collapse. The nature of export policies, including export credits and food aid, would have to adjust, but this may have been the direction of policy in any case. Tariffs would be reduced, but these are not generally decided as part of the farm bill. So the direct impact of a Doha conclusion is not so much on the 2012 Farm Bill as on the nature of the world market onto which the United States sells so much in the way of products. Whether these benefits will be enough to convince the agricultural sector to support multilateral trade liberalization is not certain. Farmers cannot “take to the bank” trade agreements that promise the ability to compete for somewhat larger markets in future years. But combined with market expansion through income and population growth, reduced trade barriers would be an important guarantee that countries could not slam the door on imports when domestic pressures mount. So the Doha Round and the bilateral agreements provide a valuable insurance policy for farmers and ease the way for a shift from income support to risk management.

For More Information


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FOOD AND NUTRITION PROGRAMS IN THE NEXT FARM BILL

Mechel S. Paggi
JEL Classifications: Q10, Q13, Q18
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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, Farm Bill Stakeholders: Competitors or Collaborators?, and Trade Issues in the 2012 Farm Bill as part of this theme.

A recent commentary on remarks by Senator Debbie Stabenow of Michigan at the 2011 USDA Agricultural Outlook Conference summarizes what might be the overall charge for those participating in the policy process surrounding the development of new farm legislation. Sen. Stabenow’s remarks were reported as a plea to not look at the 2012 Farm Bill through a prism defined by budget cuts or specific programs but rather what is needed to create the best programs to meet the objectives of the legislation (Stabenow, 2011). In order to follow that advice it is necessary to first understand the broad landscape that is affected by farm bill programs. From that vantage point, this paper will focus specifically on policies directed at food and nutrition issues and the current state of the environment that will influence their development.

Reconsideration of Existing Programs

As U.S. agricultural policy is debated in the run-up to the 2012 Farm Bill, it is time to reconsider whether our existing programs and related legislation are the right mix to accomplish the desired objectives. The starting point in this journey is clear, but often painfully overlooked is a definition of those objectives we as a nation wish to accomplish. Agricultural policy was initially designed to help deal with a number of problems related to production agriculture, including the markets for those products and the plight of rural residents. Historically agricultural policies have been justified by their contributions to food security, food affordability, nutrition, competitiveness in international trade, and as a contributor to prosperity and income growth in rural areas (Sumner and Gardner, 2007).

Over time farm legislation has evolved to include programs and policies that address a much wider array of issues than production agriculture and related markets. Indeed the majority of federal money allocated to agriculture programs is now directed toward food and nutrition programs. In Fiscal 2011 it is estimated that about 70% of USDA’s budget is to be directed to such programs, primarily the supplemental food and nutrition assistance program (SNAP), school lunch and breakfast programs; and the women, infant and children (WIC) program (USDA, OPBA, 2010). Across the federal government approximately $62.5 billion was spent in fiscal year 2008 on the 18 most prominent domestic food and nutrition programs operated by USDA and other agencies including the Department of Health and Human Services and the Department of Homeland Security (USGAO, April 2010). Most recently the major programs for the USDA have had a combined spending of $95.6 billion (Table 1). Given the predominance of federal expenditures on food and nutrition programs through USDA, a principal objective of farm policy as it exists today is to accomplish food and nutrition goals. If that is correct, there is a need to examine the main forces that will influence how those policies develop within the 2012 farm bill debate.

Major Influences on Current Programs

To gain insight regarding the forces of influence on future policies and programs it has been useful in the past to examine the current state of food insecurity in the United States; including the prevalence of nutrition/dietary problems, such as the current focus on obesity; trends in spending on food assistance; and the effectiveness of existing programs
One of the most important elements, or at least what arguably should be, of the environment that will influence how food and nutrition assistance programs develop in the next farm bill is the current prevalence of food insecurity in the United States. How many households are having difficulty meeting basic food needs?

An operational measure of food security status is provided by USDA/ERS analysis of Current Population Survey Food Security Supplement data. For 2009, ERS reports that while 85.3% of U.S. households were food secure, 14.7% of U.S. households were food insecure at some time during 2009; virtually unchanged from 2008 (Figure 1; USDA-ERS, 2010). In other words, 17.4 million households in the United States experience food insecurity, involving 50.2 million people including 17.2 million children. With a population of around 308 million, about 16% of the population falls into this category. Accordingly, those elements of current USDA food assistance programs contained in the farm bill would appear to have little or no reason to be less important than they were during the debate surrounding the previous farm bill.
Food and nutrition programs in the United States are also linked to diet and chronic disease, most clearly in relation to obesity. The Centers for Disease Control and Prevention (CDC) has identified health consequences associated with obesity to include: coronary heart disease, type 2-diabetes, certain cancers, hypertension, stroke, liver and gallbladder disease, sleep apnea and osteoarthritis. The CDC reports that one third of the U.S. adult population, more than 72 million people and 17% of U.S. children are obese (CDC, 2011). During the past several decades, obesity rates for all groups have increased. In addition, the CDC reports the cost of medical care related to obesity was estimated to be $147 billion in 2008. By all accounts nutrition and dietary choices contribute to obesity, and that obesity is among the most serious health concerns in the U.S. To the extent that federal programs are justified to address public goods issues, assistance in the promotion of improved nutrition and more healthy dietary choices for those at risk would seem to qualify. In addition, it would also appear that evidence suggests a need exists in relation to food insecurity related concerns as well.
The existing programs administered by USDA have changed over time however, the five largest food assistance programs account for the majority of the funding. In fiscal year 2010 SNAP, the National School Lunch Program, WIC, the Child and Adult Food Program and the School Breakfast Program accounted for 96% of total spending on the 19 most prominent programs (USDA, December, 2010). Funding for most of these programs has remained relatively stable in nominal terms for the past 15 years, except for SNAP (Figure 2). Participation in these programs is relatively high and all but WIC are entitlement programs that require eligible beneficiaries must be served.

In the last two years, funding increases for the SNAP program largely reflected the increased need for assistance associated with the high level of unemployment. The 2009 American Recovery and Reinvestment Act provided a funding boost. But, the current budget climate seems to suggest this funding trend may be short-lived.

If current budgetary pressure continues to create a need to prioritize funding among programs, it is useful to understand how existing food and nutrition programs have performed relative to their stated goals. The first question in such an evaluation could be whether the programs are being used. The most recent reports indicate that the monthly participation in SNAP averaged 40.3 million up from 28.2 million just two years ago. On a typical school day about 31.3 million children participated in the National School Lunch Program and 11.1 million took part in the School Breakfast Program. WIC was reported to have served 9.1 million people each month. The USDA’s Food and Nutrition Service reports 3.2 million children and 112,000 adults receive assistance from the Child and Adult Care Food Program. In summary, ERS reports that at some point in the year one in four Americans participated in at least one of the USDA’s food and nutrition assistance programs. The data supports the need for, and use of, these programs by a large segment of the population. But, does participation also demonstrate that these programs are achieving their goals and objectives?

Past Performance

Since 1998, USDA’s Economic Research service has studied and evaluated domestic food and nutrition assistance programs and provided an annual review of their activities (USDA, 2011). ERS work sheds light on food and nutrition issues. A report by Ratcliffe and McKernan (2010) measured SNAP’s effectiveness in reducing food insecurity. Their results based on simple models show that SNAP receipts are associated with higher food insecurity. However, the results also found that SNAP receipt reduces the likelihood of being food insecure by roughly 30% and reduces the likelihood of being very food insecure by 20%. These findings provide one piece of evidence that SNAP is meeting its key goal of reducing food-related hardship.

If the obesity problem in the United States is going to be addressed, it is likely that providing healthy and nutritious diets through programs for children would be a key to success. Two separate farm bill food and nutrition programs have a unique opportunity to accomplish such a goal, the School Lunch and Breakfast programs. A study by Cole and Fox (2008) examined the diet quality of American school age children by school lunch participation status from survey data over the period 1999 -2004. The study, not designed to isolate the effects of the program, found that children who did participate in the National School Lunch Program (NSLP) had diets that were better in some ways than those who did not participate, but worse in other ways. They emphasized that these children are the prime audience for nutritional education efforts. A recent study by Fox, et al (2010) provided information on the relationship between school meal programs and diet quality of children. By using a modified version of the Healthy Eating Index (HEI -2005) the overall diet quality of participants in these programs and nonparticipants was evaluated. While researchers found no significant overall difference among the groups, once again participation in the programs were associated with positive dietary components but participants scored significantly lower than nonparticipants in other areas. At the present time it appears that there is some evidence that these programs with best of intentions have mixed results.

Is SNAP having a positive effect on curbing obesity? The USDA ERS summarized ten years of research on various aspects of food and nutrition assistance policy (USDA, ERS, 2007). In regard to SNAP and obesity, the evidence suggests that while SNAP increases expenditures for food, there remains some question whether this increase in food expenditures leads to overconsumption of calories and obesity. These concerns were based on a positive relation between food stamps and overweight and obesity in women that was observed in the late 1980s and 1990s. During the same period however it was reported that men who received food stamps tended to be lighter than either eligible nonparticipants or higher income men. More recently estimates based on 1999-2002 data show a weakening relationship between food stamp receipt and weight status (Ver Ploeg, 2006). The study revealed that among women, food stamp participants were not getting relatively heavier over time. Rather relative obesity as measured by the Body Mass Index (BMI) was reported to have grown at a more rapid rate among eligible nonparticipants—as well as women with higher incomes— and now exceeds that of food stamp participants.

Although the latest evidence seems to suggest there is no difference in obesity rates between food stamp participants and others, more research is needed to understand what factors drive obesity and to better understand what roles food assistance programs may play. Policy changes not based on sound evidence can lead to unexpected outcomes. For example, it would seem natural to make changes in SNAP policy by restricting purchases to “healthy foods”,

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however some suggest this may lead to unintended consequences (Alston, et al., 2009). In their research, the authors find that while program participants would likely increase their consumption of healthy food the overall impact on the purchase of unhealthy food is not clear. The increase in SNAP participant purchases of healthy food would have created upward pressure on healthy food prices and downward pressure on prices for unhealthy food. Such changes in relative prices would be expected to feed back into the purchasing patterns of participants and non-participants alike, having possible negative dietary effects. Also, the authors suggest more restrictive rules on the use of SNAP funds may discourage participation. In summary, this research suggests that changing the composition of allowable food purchases under SNAP would likely be an inefficient and ineffective targeted policy response to reduce obesity among its participants.

**Current Events and Thoughts for the Future**

At the present time concerns about the budget that will be available for spending on farm programs underline most discussions about the nature of future farm bill programs. Most reports suggest that all programs and policies will be on the table for possible cutbacks. In perhaps a foreshadowing of what is to come, increased funding for SNAP is to be effectively rolled back after 2014 due to cost savings tied to legislation to save teacher and public sector jobs and shore up state Medicaid budgets (Cornfield, 2010). In this case the $26 billion in expenditures is partially offset by what would be a $12 billion rollback in SNAP funding increases. The future of SNAP funding was also called into question again when it was targeted to offset costs for the Senate Healthy, Hunger-Free Kids Act of 2010 that borrows $1.3 billion from SNAP beginning in 2013 (U.S. Government Printing Office, 2010). Most recently, President Obama’s 2012 proposed budget calls for restoring those cuts from SNAP. It assumes that all aspects of the safety net contained in the current farm bill, even the social safety net for the poor and food insecure, really are on the budgetary chopping block.

The environment within which new farm bill legislation will be debated is going to be dominated by the desire to provide a safety net for American agriculture and maintain the provision of effective food assistance programs in the face of stable to declining budgetary authority to do so. Already emerging are early signs of division among ranks regarding willingness to trade social safety net programs to preserve traditional commodity based supports, which raises questions about the future support for farm legislation. Traditionally, it has been in part the marriage between the desire to maintain food and nutrition assistance among urban legislators and the additional desire on the part of farm district legislators to maintain an effective safety net for production agriculture that has provided the support needed to pass previous farm bills. In the House of Representatives it takes 218 votes to pass a farm bill. It has been suggested that within the house there are only 50 congresspersons with sufficient rural constituency to be effectively influenced by farm interests. Some rural states, North and South Dakota; Wyoming; Montana; Vermont; and Alaska have only one congressman (Knutson, Lyons and Meilke, 1995). If it takes 218 votes to pass a farm bill, the other 168 need to come from areas with less direct connections to the interest of agriculture. If that coalition is forced to consider either/or decisions due to funding limitations, it is uncertain how long it will survive.

It may be necessary to develop alternative programs and policies that do not contain such a comingling of goals. Perhaps objectives focused on achieving specific health and nutrition targets are better achieved by delivering programs through different agencies. Other programs looking to achieve price and income security for specific industry sector participants may be better served by an agency that is more narrowly focused. As the core constituency for continued support for any specific group declines, so does its ability to maintain that support in the absence of coalition partnerships. Particularly in the face of diminishing resources and increasingly growing conflicting demands on those limited resources. It would appear the debate surrounding the next farm bill will be robust in the intensity of commitment by supporters and the diversity of the voices of distracters of the status quo in the area of food and nutrition assistance programs.

**For More Information**


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