

Press Release

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Diverse Groups Call for Middle Ground in Farm Bill Debate

Proposal Would Establish Fair Prices, Cut Subsidies, Stabilize Supply

Washington – Thirty-six farm, labor, consumer, religious, rural advocacy, environmental and international development groups sent a letter to Members of the House Committee on Agriculture today staking out a middle ground in the escalating Farm Bill debate over government subsidies. The groups support policies that would reinstate strategic grain reserves to stabilize volatile crop prices, and would reduce controversial government subsidies by replacing the current loan deficiency payment with a price floor that would provide farmers with a safety net in the marketplace.

Larry Mitchell, Director of Governmental Affairs for the American Corn Growers Association, likened the new approach to a minimum wage for workers. “The difference between price supports and price subsidies is much more than semantics. The biggest difference is who pays. The user or buyer pays for the support, while the government, i.e, taxpayers, pays for the subsidy. The best analogy is the difference between the minimum wage, a support program, and food stamps, a subsidy program. And you do not have to be an economist to realize that if we increase the support program, we can reduce or eliminate the subsidy program.”

The Congressional Budget Office projects higher commodity prices and lower subsidy payments for the life of this Farm Bill because of higher commodity prices driven by increased demand for corn-based ethanol. A similar projection for higher commodity prices was used during the 1996 Farm Bill debate to justify the dismantling of important market stabilization mechanisms such as the farmer-owned reserve and an effective price floor through a non-recourse loan. But the 1996 projection was proven wrong when prices collapsed. Instead of eliminating the need for subsidies as deregulation advocates had promised, the 1996 Farm Bill actually required record levels of subsidies that carried over into the existing 2002 Farm Bill. There is no guarantee that this year’s projections for continued high prices won’t also be wrong, potentially leaving farmers with low prices and no safety net.

“US taxpayers have spent \$20 billion a year to prop up this failed policy for over a decade now,” said George Naylor, an Iowa corn and soybean farmer and President of the National Family Farm Coalition. “The agricultural market deregulation enshrined in the 1996 and 2002 Farm Bills, and in trade agreements like NAFTA, have increased market uncertainty, consumer and farmer insecurity, and farmer dependence on government payments. This is a system that needs to change. However, farmers are legitimately concerned when various groups call for elimination of subsidies, but offer no solutions to address this inevitable volatility that can expose farmers to devastatingly low farm prices overnight.”

Dennis Olson from the Institute for Agriculture and Trade Policy said that the new ethanol boom has increased price volatility in crop, food and energy markets, and that reestablishment of strategic grain reserves would ease the uncertainty of farmers and consumers by stabilizing prices in these interrelated sectors. “Whether you’re a corn farmer facing the uncertainty of this year’s harvest, a venture capitalist investing in an ethanol plant, a family dairy farmer wondering what your feed prices might be by the end of year, or a consumer wondering if food prices will rise, you have a stake in a stable, affordable supply of grains in the supply chains. Strategic grain reserves would help reduce the dangerous volatility that can harm everyone.”

The letter said that the lack of a strategic grain reserve has become an urgent priority as USDA is predicting the lowest level of world carryover stocks on record since 1947. “We are one moderate drought or disaster away from seeing \$10 per bushel corn prices that would destabilize our entire economy and we have no plan in place to address this possibility,” the letter said.

“[We] urge you to consider establishment of a floor price for commodities in conjunction with emergency food, crop, acreage, and strategic energy reserves,” the letter concluded. “This would insure farmers against crop disasters, create enhanced renewable energy security, and better meet environmental stewardship goals. Let’s form a system based on market price stability, not subsidies.”

You can read the full letter and list of signatories at: www.nffc.net or http://www.agobservatory.org/issue_farmbill2007.cfm

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