



Institute for Agriculture and Trade Policy

FOR IMMEDIATE RELEASE

MAY 13, 2008

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Farm Bill Perpetuates Market Deregulation and Volatility **Small Gains in Bioenergy, Conservation, Local Foods, Food Aid**

Minneapolis – The 2008 Farm Bill coming to the House and Senate floor this week includes incremental gains for conservation, renewable energy, food aid and healthier local food systems. However, it fails to fix the deregulation policies of the previous two Farm Bills that have increased market volatility to the benefit of global food corporations and at the expense of farmers, consumers, rural communities and the environment, said the Institute for Agriculture and Trade Policy (IATP).

“Unfortunately, this Farm Bill became a narrow battle over budgetary issues, rather than which policies will work best for farmers, consumers and the environment,” said IATP Senior Policy Analyst R. Dennis Olson. “Neither payment caps, nor the experimental revenue insurance program, address the extreme market volatility we are experiencing today. The ‘so-called’ commodity reforms in this Farm Bill will do nothing to reverse the trends toward increased market concentration, speculation and manipulation. Nor will they do anything to address the range of issues contributing to rising food prices.”

Congress dismantled strategic grain reserves, acreage set asides and other market management mechanisms in the 1996 Farm Bill. Since then, global food companies have benefited from windfall profits. For example, Cargill’s profits have increased nearly 1000 percent from 1997/1998 to 2006/2007.

“Global food corporations’ profits increased when farm prices collapsed by 40 percent after the market deregulation of the 1996 Farm Bill and they are making even more money now that food prices have risen to crisis levels,” Olson said. Deregulation, in effect, privatized crucial market information and decreased price transparency, thereby increasing the ability of big firms to manipulate prices.”

Another glaring failure of the pending Farm Bill was the missed opportunity to strengthen antitrust enforcement. “While some of the worst abuses of increasingly exploitive contracts against farmers were eliminated,” Olson said, “a majority of the conferees caved-in to corporate lobbyists on the more substantive market reforms, like the ban on packer feeding, which would have helped curtail anticompetitive practices that deny independent farmers fair market access.”

On the positive side, the new Farm Bill contained a number of important provisions:

- *Bioenergy incentives for “Next Generation” feedstocks*, including \$70 million for the new Bioenergy Crop Transition Assistance Program, based on the Reinvest in Minnesota Reserve-Clean Energy bill passed by the Minnesota Legislature in 2007. IATP worked with other groups and Minnesota’s Congressional delegation to gain its inclusion and approval in the Farm Bill;
- *A significant boost for conservation*, including \$12 billion for a revamped Conservation Stewardship Program that would help farmers bring an estimated 115 million acres of working farm and ranch lands under improved conservation management practices;

- *Support for local food systems*, including allowing a "geographic preference" through federal procurement programs for locally grown foods, funding for new local and regional food supply networks, and \$33 million for the Farmers Market Promotion Program;
- *The Diversity Initiative*, which redresses civil rights violations and significant land loss suffered by minority farmers. It also includes a \$75 million investment in the Socially Disadvantaged Farmer Outreach Program;
- *Support for Beginning Farmers and Ranchers*, including a new Beginning Farmer and Rancher Individual Development Account pilot program to help purchase farmland, farm equipment or livestock and additional funding for technical assistance and other services for new farmers;
- *Strong support for organic agriculture*, including funding for organic certification cost share, an organic data collection initiative, a new program for organic conversion and the Organic Research and Extension Initiative;
- *A revamped country-of-origin labeling requirement* and a provision for the interstate shipment of state-inspected meats should increase opportunities for independent livestock producers;
- *A food aid pilot program*, which allocates \$15 million dollars annually to experiment with cash purchases for international food aid – an essential reform to a highly inefficient program.

But these small wins do not make up for the larger issues that were not addressed. "Unfortunately, this Farm Bill does nothing about the instability we are seeing in the agricultural marketplace," said Olson. "The current food crisis shows that it's time to rethink the fundamental assumption from the Enron era that market deregulation solves all problems. For starters, this should include the re-establishment of a publicly held grain reserve and stronger antitrust enforcement. We need to continue to work on addressing these market failures that have brought price volatility, skyrocketing costs, unhealthy food, environmental degradation and decreased market competition."

You can find a more in-depth analysis and background at IATP's Farm Bill page: http://www.agobservatory.org/issue_farmbill2007.cfm

IATP works locally and globally at the intersection of policy and practice to ensure fair and sustainable food, farm and trade systems.