How to Fix Farm Policy?
Opportunities for a Healthier Food System

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Do you ever wonder why organic foods are so much harder to find than conventional foods? Or why we grow so much corn and soybeans in Minnesota? Or why, in a state with some of the most fertile soil in the world, most of the food in our supermarkets comes from somewhere else - either in the U.S. or another country? Our food system is complicated and there is not single reason why it has evolved this way. But certainly, our federal farm policy has played a big role. About every five years Congress takes on an enormous piece of legislation called the farm bill. The bill sets the course for agricultural commodity policies, deciding which the government will support and which it will leave on its own. It also authorizes funds for some of the country's largest conservation programs, rural development programs, and food stamps. The 2002 farm bill was anticipated to cost $180 billion over 10 years.

In 2007, Congress will once again consider another farm bill - and the stakes are high. There's a growing consensus that agricultural policy is broken. Family farmers are mired in low commodity prices that continue to drive farm operations toward bankruptcy. Environmentalists complain of inadequate support for set-aside programs and other conservation initiatives. Organic and sustainable agriculture proponents decry the lack of research and outreach for these innovative farmers. And public health advocates are increasingly concerned about how agricultural policy contributes to unhealthy diets and related health care costs.

How have we gotten into this mess? A large part of the problem has to do with issues inherent to agricultural markets. More than almost any other industry, the volume of agricultural production varies tremendously with weather. Second, most industries have the ability to manage production – a television factory, for example, can idle part of its production if television sales are slow. Farmers make production decisions only once in the spring, and then are helpless to respond to market fluctuations as they wait several months for harvest. Third, given that individual farmers have no ability to impact markets, one of the only ways to increase farm income is to increase farm production, thereby creating a treadmill of continually expanding production and depressed prices. The food processing industry has been more than happy to exploit these issues to their advantage and to the detriment of farmers.

A Little History

Henry Wallace, Franklin Roosevelt's Secretary of Agriculture and a true visionary, understood how these issues vexed farmers and kept agricultural markets from functioning properly. He realized that to mitigate the low prices that left farmers reeling in the Great Depression, he needed a mechanism for managing excess supply. Since grains and oilseeds store well, part of the harvest can be taken off of the market and put into a reserve when prices are too low. Then, when prices recover, the crops could be sold for a profit. By utilizing this simple concept of buying low and selling high, the government-operated storage facilities could actually make

money for taxpayers, while smoothing out the price spikes that could be devastating for farmers and food processors. A farmer-owned reserve was also instituted, providing farmers with more control over the prices that they receive.

The storage of crops was coupled with a program to maintain an adequate reserve of agriculture's productive capacity. An industry that operates at maximum production for too long becomes less resilient and sets itself up for disaster. Electric utilities, for example, normally operate at a portion of their capacity, realizing that they need an adequate capacity in reserve in order to meet those periods of peak demand. Food is the perfect example of a commodity where supply must always exceed demand – why exhaust our soil and other resources when that capacity will inevitably be more needed in the future.

Critics of government frequently state, and with some justification, that federal programs are rarely effective at achieving societal goals. Wallace's agricultural policies, however, provided the framework for some of the most prosperous and stable decades in U.S. agriculture. At that time, farmers were optimistic enough about the future to encourage their children to take up the trade.

Not everyone, of course, supported these actions. Throughout the second half of the 20th Century, the growing agribusiness sector objected to policies that maintained fair commodity prices. Food processors could increase profits by buying commodities below the cost of production. Over the past 50 years, the policies instituted by Henry Wallace have been slowly eroded away to the point where the prices of the principle commodities in the Midwest – corn, soybeans, and wheat – usually cost farmers more to produce than what they receive from the marketplace. Now, instead of addressing the market distortions inherent in agriculture, the government simply subsidizes these farmers, making up some of the difference between what food processors pay and what farmers need to stay economically viable.

No Simple Solutions

A number of organizations have rallied around a simple strategy for the next farm bill – put an end to agricultural subsidies. In 2003, growers of corn and soybeans received $2.8 billion and $1.1 billion, respectively. Subsidies, after all, distort markets, and promote more production of a particular crop than what the free market would produce. This strategy, however, ignores the fact that subsidies are not the root cause of the problem. Rather, throwing money around is the politicians' simple solution to a complex issue. A number of studies have demonstrated that subsidies have a relatively small impact on commodity prices and cropping decisions. Eliminating subsidies does little to address agriculture's tendency toward overproduction, and would have a devastating impact on farmer income, land values, and rural agricultural communities.

Moving Forward

For those of us that support natural foods, family farmers and a clean environment, the solutions are more complicated than simply ending subsidies. As we prepare for the 2007 farm bill and other policy opportunities, here are some directions that natural foods advocates could consider:

- **Maintain fair prices for all crops.** Would you like more opportunities to purchase grass-fed, omega 3-rich meat and dairy products? Or would you like to see processed foods have less high fructose corn syrup and trans fatty acids? Then advocate for fair prices for corn, soybeans and other crops. Confined livestock operations receive an enormous subsidy by purchasing cheap corn and soybeans, making it difficult for grass-fed meat and dairy to compete in the marketplace. And given the alarming obesity epidemic in our country, we don't need our agricultural policy to support cheap soft drinks and junk foods. These market deviations put healthier foods like fresh produce at an unfair competitive disadvantage.

- **Foster local and regional food systems.** When farmers market directly to consumers rather than the food industry, their products are almost inevitably healthier and fresher. The rapid growth of farmers' markets around the country shows that there is considerable consumer demand for a more direct relationship between farmers and consumers. Programs that bring fresh, local foods into cafeterias at schools, hospitals and workplaces are springing up around the country, as are direct marketing initiatives, U-pick farms, Community Supported Agriculture (CSA) farms, food cooperatives and food policy councils. Such initiatives provide consumers with greater choice, farmers with marketing opportunities, and communities with a powerful economic development tool. These initiatives need to be expanded, supported and funded.

- **Improve the quality of school lunch**. Specific actions include the expansion of the Fruit and Vegetable Pilot Program, higher nutritional standards for the National School Lunch Program, and healthier products in the USDA commodity donations to schools. In addition to providing a healthier lunch to students, these changes would increase demand for fruits and vegetables, providing an even greater incentive for U.S. farmers to grow these crops. Government procurement policies, particularly if they place preferences on local production, can create a strong incentive for farmers to focus on regional direct marketing opportunities.

- **Find the common ground between family farmers, conservation groups and the public health community.** All of these public interest groups have enjoyed some accomplishments in getting parts of their agenda into the farm bill. They have had, however, almost no success in shifting agricultural policy away from cheap commodity production. Several national and international factors provide a unique window for fostering real change in the farm bill, but we have to have a common goal amongst these different constituencies.

A food system that provides healthy, whole foods from thriving, diverse farms does not happen through agricultural policy, but through the individual decisions of millions of consumers and farmers. Agricultural policy does, however, create the economic playing field that shapes the food industry. With a more level field, the organics and natural foods industries will truly thrive. To keep up to date on the progress of the farm bill, regularly check out IATP's web site at http://www.iatp.org.