Institute for Agriculture and Trade Policy

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PRESS CONTACT
Ben Lilliston, Communications Director
(612) 870-3416
blilliston@iatp.org

USDA Proposal Falls Short for Farmers

Offer Fails to Improve Protection Against Natural Disasters or Policy Failures

MINNEAPOLIS — A Farm Bill proposal pushed by the U.S. Department of Agriculture (USDA) could weaken protections for farmers from natural disasters, according to a new analysis by the Institute for Agriculture and Trade Policy (IATP).

The USDA's proposal for revenue-based countercyclical payments (RCCP) is touted as both disaster relief and an income safety net, and is an attempt to make Farm Bill support payments compliant with World Trade Organization (WTO) rules. IATP's Senior Policy Analyst, Dr. Steve Suppan, analyzes the RCCP proposal in a new backgrounder, *Revenue-based countercyclical payments: U.S. policy disaster relief?* - available at www.agobservatory.org.

The complicated USDA proposal would trigger a revenue-based payment to farmers when the national revenue per acre for a program commodity is less than the national target revenue per acre. The RCCP formula uses national yield averages, rather than the county averages traditionally used to calculate payments in crop risk insurance plans. Most natural disasters afflict relatively small regions of the country and have little impact on national prices.

"Unless there is a natural disaster covering a wide part of the country, the RCCP formula won't result in payments adequate to compensate farmers for their losses," said Suppan.

The RCCP program's WTO compliant design insures against revenue loss according to a 2002-2006 historical base period formula. Some farm organizations, such as the National Corn Growers Association, are proposing a revenue insurance program that would compensate for the crop years in which losses actually occurred. However, the farm organizations' proposals would violate WTO rules, according to Suppan's analysis.

The analysis found that the USDA proposal continues a failed policy approach of the last two Farm Bills, where instead of ensuring the market provides farmers a fair income, Congress compensates farmers for market failures with taxpayer money.

"Crop prices could fall dramatically, as they did when the 1996 Farm Bill eliminated policy tools intended to maintain fair market prices," said Suppan. "Congress should not pretend that a permanent natural disaster relief fund is a basis for fair prices or market-based income. The 2007 Farm Bill should restore policy tools to ensure that farmer's income is derived from fair prices paid by agribusiness and does not depend on taxpayer funds to compensate for low prices."

More Farm Bill analysis from IATP can be found at: www.agobservatory.org.

The Institute for Agriculture and Trade Policy works globally to promote resilient family farms, communities and ecosystems through research and education, science and technology, and advocacy.