

"This advice and analysis—grounded in the primary value of Democracy—will be used to help America live up to her highest ideals of democracy and responsibility."

—BILL CLINTON

Changing America

A graphic of the American flag, showing the stars and stripes, positioned at the bottom of the word 'America' in the main title.

Blueprints for the New Administration

How to shake up the government, agency by agency, and make it work

CITIZENS TRANSITION PROJECT
Edited by MARK GREEN

AGRICULTURE POLICY

MARK RITCHIE AND KRISTIN DAWKINS

Summary

THE AGRICULTURE INDUSTRY and the people of rural America stand at a crossroads. While there are a number of significant positive trends developing across rural America—such as more environmentally sound farming practices and growing ties between rural and urban communities—they are outweighed by serious economic and environmental problems. The White House and the U.S. Department of Agriculture (USDA) have yet to address these problems effectively:

- Net income for farmers and farmworkers has declined for a decade.
- Government-set farm prices are below the cost of production.
- Occupational health and safety in agriculture and the food industry have deteriorated significantly.
- Poverty among rural farming communities is at record levels, especially among women and children, leading to growing hunger and malnourishment.
- Food quality has deteriorated due to excessive processing and packaging.
- Cutbacks in federal inspection have resulted in a decline in food safety.
- Taxpayer costs remain unacceptably high.
- Rural infrastructure (including roads, bridges, and schools) is in serious disrepair, hampering economic recovery.

With more than 110,000 employees and an annual budget greater than \$50 billion, the USDA is the second-largest federal agency, surpassed only by the Department of Defense. The USDA has responsibility for almost everything relating to farming, forestry, and the food industry.

To reinforce the positive trends while addressing the problems noted

Mark Ritchie is the Executive Director of the Institute for Agriculture and Trade Policy, Minneapolis, Minnesota. Kristin Dawkins is a Senior Fellow at the Institute.

above, the next President and Secretary of Agriculture must tackle two major interrelated tasks.

First, they must make a number of important specific domestic and international agricultural policy decisions, including:

- Changes in current domestic food and farm policy as shaped by the 1990 Farm Act and the 1990 Budget Reconciliation Act to address the serious economic, ecological, and social problems created and exacerbated by these pieces of legislation.
- Rejection or acceptance of the agricultural provisions of the North American Free Trade Agreement (NAFTA) and the General Agreement on Tariffs and Trade (GATT), both of which have been accepted by the Bush administration but are strongly opposed by farmers, consumer groups, and environmentalists.

Second, and equally important, they must pursue the redefinition, reorientation, and reorganization of the USDA. New visions, missions, goals, and ethical considerations are needed to rebuild economically and ecologically sustainable family farms and rural communities, for while the USDA in the past has focused primarily on individual farm units, its mandate must be expanded to include the entire rural community—small towns and non-farming rural residents in addition to family farms.

Historically, the USDA has concentrated its research and educational activities on maximizing per-acre or per-worker crop and livestock production, without regard to net profit, food quality and safety, or ecological consequences. Now, the USDA must expand its goals to promote human health, protect the environment, and provide adequate net income to efficient and sustainable farming families. The USDA must also expand its mission to include the widest possible range of new farm-related products such as biofuels, industrial raw materials, medicines, and new services, including wildlife conservation, ecological protection, and agri-tourism.

State of Our Family Farms and Rural Communities

POSITIVE TRENDS

Despite the tough economic times across rural America, there are a number of important positive trends in agriculture. The USDA must commit the resources necessary to reinforce, support, and extend these. Here are some of the most important:

- *Environmental progress.* Farmers are reducing their dependence on expensive chemicals, fossil fuels, and other capital-intensive methods of production through expanded use of sustainable farm practices, leading to

greater economic resilience and improved protection of the environment. In addition, there has been a sharp increase in the use of agricultural and forestry products for pollution prevention and cleanup. The increased use of biofuels such as ethanol and recent breakthroughs in the development of truly biodegradable plastics made from plant matter are examples of new technologies that are both ecologically sound and economically productive.

- *Rural and urban links.* A large number of individuals and groups are working to build links between rural and urban people. Farmers' markets, community-supported agriculture, city-country dialogues, and church exchanges are examples of a new promising relationship that bridges the economic divide and promotes cultural understanding and cooperation.

- *Adding value.* There is a slow but steady shift toward activities that are adding more value to our raw crops and livestock products. These include more local processing and direct marketing by producers themselves through their cooperatives and collective-bargaining organizations.

- *Consumer expectations.* Consumers have ever greater expectations for their food, including higher standards for safety, nutrition, and quality. Changing consumer preferences are translating into new opportunities for producers.

NEGATIVE TRENDS

The following trends, however, are harming family farmers, consumers, or the environment. The next Administration must design and implement political and policy strategies to reverse them.

- *Economic crisis for farmers and farmworkers.* Federal farm policy has set commodity prices at levels below the average cost of production, creating an economic crisis for rural America. In real terms, there has been a decade-long decline in net income for farmers, wages for farmworkers, and return on investment for owner-operators and tenant farmers. As a result, small and moderate-size family farms are being forced out of business, and their land is being consolidated into ever larger units, far beyond the size that can be farmed in an ecologically sustainable way. About thirty-one thousand farm families are being forced to leave their land each year.

- *Negative impacts on farm-related businesses and rural communities.* As a direct result of this farm income crisis, the industries and businesses that provide production inputs and other goods to farm families continue to be in economic crisis as well. The worst year ever for tractor sales was 1991, but it appears that 1992 may be even worse. This economic turmoil has led to a significant depopulation of many rural areas, a trend compounded by the "graying" of rural America caused by the disproportionate exodus of

young people unable to find employment. Both the economic crisis and outmigration have caused serious reductions in tax revenues, making it impossible for many communities to maintain the physical infrastructure of roads, schools, and hospitals necessary for economic recovery.

- *Hunger and malnutrition.* Due to the overall economic crisis, the number of hungry people in the United States today is greater than at any time since the 1930s. Although food stamp rolls are at a record level of nearly 26 million people, the number of new recipients continues to rise by about 100,000 each month. Women and children in particular are extremely hard hit.

- *Food quality, safety, and security concerns.* The nutritional value of many foods has been lowered through excessive processing, packaging, transportation, and storage, as well as because of the addition of excessive additives and preservatives. As a result, consumer confidence is down, particularly in regard to the safety of specific foods such as meats, seafood, fruits, and vegetables. At the same time, U.S. reserve supplies of some critical food items are often below necessary levels, resulting in shortages in our school lunch and elderly nutrition programs, and in unnecessary rises in retail prices.

- *Economic concentration in agribusiness and the food-processing industry.* The Bush administration's failure to enforce antitrust laws and its manipulation of price, credit, and subsidy policies has led to an unprecedented level of monopoly and economic concentration in agriculture. Four or less firms control almost all major food items, including poultry, pork, beef, flour, breakfast cereals, and many others. As a result, farmers have fewer options for where they can sell, while consumers pay higher oligopolistic prices.

- *Dangerous working conditions.* Occupational health and safety factors for farmers, farmworkers, and food industry workers such as meatpackers have deteriorated significantly. There has been a sharp rise in toxic chemical poisoning, machinery accidents, and stress-related illness.

- *Taxpayers' burden.* Federal budget costs for USDA-administered farm programs remain at unacceptably high levels. Over the past decade more than \$150 billion have been spent, virtually all of which subsidizes exporting corporations and their overseas buyers.

The Reagan/Bush Record

CURRENT DOMESTIC FOOD and farm policy is dictated by two pieces of legislation: the traditional Farm Bill, now slated to run until 1995, and the Budget Reconciliation Act of 1990. Covering everything from food stamps

and the WIC (Women, Infants, and Children) program to farm commodity programs, these two pieces of legislation largely determine the economic possibilities for rural America.

When President Carter left office, the U.S. agricultural community was enjoying relative economic stability. Under Presidents Reagan and Bush, there has been a decade-long depression in rural America.

- Farm commodity prices in 1990 averaged half of their levels in 1980 in both real terms and in purchasing power.
- From 1980 to 1990, the value of farm exports fell more than 50 percent—from \$40 billion to less than \$20 billion in adjusted dollars.
- The cost of diesel gasoline in 1980 was 55 cents per gallon; today it's more than \$1 per gallon.
- More than 600,000 families lost their farms over the past decade, causing a 24.1 percent decline in overall farm population.

Almost every person in this nation, both rural and urban, knows that our family farms have been through one of their worst decades since the 1930s. Hollywood movies, rock concerts, books, and thousands of newspaper articles have chronicled the crisis. But current farm policy has not only been bad for family farmers, it is also a disaster for taxpayers. Annual costs soared to as high as \$47 billion in 1987, compared to \$5 billion in 1980, with most of this money going directly to agribusiness in the form of export or storage subsidies.

A New Domestic Agriculture Policy

THE CURRENT BUSH FARM POLICY needs to be overhauled completely to balance supply with demand, eliminate farm subsidies, and encourage rather than discourage more sustainable farming practices. Major provisions of this new domestic policy should include the following:

- *Changes in farm commodity programs.* There are two central economic elements in every farm bill. First, Congress sets minimum prices—now only about half the cost of production—that must be paid to farmers by domestic and foreign buyers. This is accomplished through a USDA-administered price-support mechanism called the Commodity Credit Corporation nonrecourse loan program. Second, Congress sets a “target” price for farmers that is above the minimum price but still below the average cost of production. To cover part of the farmers’ losses between the loan rate and the target price, the government makes deficiency payments that are often called “farm subsidies,” although they primarily benefit domestic and overseas buyers by holding prices at unrealistically low levels.

The new Administration must use its discretionary authority as granted in the current Farm Bill to set the loan rate of the Commodity Credit Corporation at the cost of production, thereby enabling farmers to sell their produce at fair prices and eliminating expensive deficiency payment programs.

Simultaneously, supply management programs must be strengthened to make certain that supply and demand stay in balance, protecting soil and water resources and wildlife habitats while maintaining reasonable reserve stocks and stable prices.

- *New environmental protection provisions.* A wide range of policies is needed to encourage the deintensification of production in agriculture and to ensure that basic procedures for protecting soil, water, and air resources are followed throughout the entire food chain. The new Administration should preserve existing programs, such as the Conservation Reserve Program, which have served to protect wetlands, prevent nonpoint water pollution, and reduce soil erosion. In addition, it should develop new programs that encourage farmers to adopt new production methods, including improved soil testing and more carefully adjusted equipment, to ensure that chemicals are not being used excessively or unnecessarily.

- *Farm credit.* Government-provided credit should be used primarily to help young and returning farmers get started and to help existing farmers make new investments to boost environmental protection and productivity. Credit programs should not be used to cover year after year of financial losses due to government-set low prices. Once policies are in place to guarantee remunerative prices, the new Administration can also ensure that sufficient credit is available to help farmers get back on their feet, to bring young farmers into the business, and to generate investment on a nondiscriminatory basis at affordable rates of interest.

The new Administration must also eliminate major abuses, such as the denial of credit on the basis of race and outright corruption, through proper oversight and regulation. There are roles to be played by all elements of the farm credit system, including private lenders, the Federal Government, state governments, and the cooperative farm credit services. Affirmative steps would include strengthening local control and encouraging credit unions and cooperatives—steps that make sure the rural community will not suffer the credit strangulation of the Bush era.

- *Food stamps, WIC, and other food security programs.* Poverty, especially among women and children, has increased dramatically during this past decade. It is increasingly difficult for poor people to find healthful food at affordable prices. The new Administration must expand successful programs, such as WIC and food stamps, to provide for all eligible families

desiring this assistance. Efforts by the USDA to deny emergency benefits, as it is doing in South-Central Los Angeles, need to be reversed immediately.

International Policymaking: GATT, NAFTA, and the FTA

U.S. INTERNATIONAL AGRICULTURE POLICYMAKING has been dominated during the past decade by three major negotiations: the General Agreement on Tariffs and Trade (GATT), the North American Free Trade Agreement (NAFTA), and the U.S.-Canada Free Trade Agreement (FTA). The new Administration will face major decisions on all of them.

GATT: THE GENERAL AGREEMENT ON TARIFFS AND TRADE

GATT is by far the most important international trade agreement, covering 107 countries and 90 percent of the world's trade. Because U.S. agriculture supplies about half of the world's total supply of feed grains, GATT policies have an enormous effect on U.S. farmers, rural communities, and the rural economy.

There are three primary concerns with existing GATT rules. The first is the failure of GATT to enforce key provisions of the agreement. Second, there is a need to clarify some existing rules to deal with confusion and misunderstandings that have resulted from imprecise or ambiguous language. Third, there are several new rules that would be important to add to GATT to reflect changed and changing ecological and economic circumstances.

Failure to Enforce Existing Rules. Two key GATT rules affecting agriculture are essentially ignored. In Article VI, GATT defines the cost of production as including "the cost of marketing and a reasonable return"; exports priced at lower rates are considered "dumping." Yet almost all major producers, including the United States, allow companies operating within their territory to engage in export dumping, causing chaos in world markets. Dumping has a detrimental impact on small farmers and food security in both the United States and developing nations of the Third World. As small farmers are often unable to compete, even in their own local markets, with underpriced, highly subsidized dumped exports, they are driven off the land, and more and more of a region's food supply must then be imported at increasingly higher cost.

In Article XI, GATT requires countries using import controls to link

them with internal production controls. This linkage, which depends on supply management to generate a balance between production and consumption, is intended to guarantee nondiscriminatory treatment for all producers and fair trade. Yet almost all major countries ignore this rule. The next Administration must work to ensure that all GATT member nations comply with these existing rules.

Clarification and Updating of Existing Rules. The new Administration should carefully review the current GATT and a number of recent GATT rulings to determine those with potentially negative impacts on U.S. consumer, farm, or environmental interests, and push for clarification or reestablishment of historic interpretations. For example, in a recent dispute between the United States and Canada, a GATT panel ruled that our Federal Government must do everything within its constitutional power to overturn or preempt state laws that are designed to help small wineries and breweries by exempting them from special excise taxes. This GATT ruling included the demand that all state and local laws inconsistent with GATT rules must be brought into compliance or preempted by Federal Government action. This is a complete reversal of previous interpretations and could lead to federal preemption of an incredibly wide range of current state and local laws, covering everything from environmental protection and food safety to credit law and restrictions on the ownership of farmland by corporations.

Also, while the original GATT oilseeds panel interpreted GATT rules in a way that threatens numerous existing U.S. Government farm programs that are not targeted directly to producers, a second oilseed panel ruled that all countries, including the United States, are prohibited from introducing or expanding farm programs to assist producers of any crops where the tariff on that item has been "bound"—a term that refers to an agreed maximum tariff. Under this interpretation, numerous U.S. farm programs could be subject to challenge by GATT in the near future.

Another recent GATT panel ruled that in order to be eligible to control imports of agricultural products under GATT Article XI, nations must have in place supply management programs that are quantity-based. This ruling excludes supply management based on land set-aside programs, such as we now have in the United States. If, as a result of this panel decision, the United States loses (or gives up) our current waiver allowing import quotas in Section 22 of the Farm Bill, many of our current programs will immediately be in danger.

Most of the current GATT was written more than forty years ago—long before certain issues, such as the dangers of global environmental degra-

dation, the role of global corporations, or the need for global food reserves, were even considered. It is essential that the next Administration take the lead in bringing these new issues out into the global debate, and push to see specific measures added to the GATT agreement to address some of these concerns.

For example, at present the world's emergency grain reserves are stored mostly in the United States, at great expense to U.S. farmers and taxpayers. Every few years these global food stocks become too large. When this happens, it is again the U.S. farmers and taxpayers who end up shouldering most of the burden of reducing production enough to bring stocks back to normal levels.

The new Administration should insist that GATT rules be amended to include a "world food reserve" provision requiring all nations to share the cost of maintaining world food reserve stocks, and requiring all major producers to share equally in the process of reducing excess production and stocks when this reserve becomes too large.

The Uruguay Round. The problems afflicting farmers and the rural economy could be rectified as part of the current renegotiation of GATT known as the Uruguay Round. Although these talks are currently stalled, the United States is in a powerful position to reestablish them and to create a great deal of momentum for real change.

Before these talks can begin to be productive, however, the new Administration must dismiss the current "Dunkel draft" text, which was endorsed by the Bush administration. The Dunkel draft fails to address most of the negative trends, and it contains numerous new provisions that would be even more devastating to U.S. agriculture.

NAFTA: THE NORTH AMERICAN FREE TRADE AGREEMENT

An analysis of the NAFTA text drafted by the Bush administration indicates that it contains numerous provisions that will aggravate the decline of agriculture in all three countries—Mexico, Canada, and the United States. Producer and consumer groups from all three countries have put forward a powerful joint critique of the current draft. In addition, producer leaders from the three countries have been meeting to draft language for the kind of positive "win-win" policies needed in any final agreement.

The new Administration should reopen negotiations to make sure that the language developed by the producers themselves forms the basis of a new North American Free Trade Agreement.

FTA: THE U.S.-CANADA FREE TRADE AGREEMENT

Although the FTA was completed and implemented in 1988, it has been in a constant state of flux due to the large number of trade disputes it generated. The new Administration must correct numerous flaws in the FTA and its implementation:

1. Meat and food inspections at the U.S.-Canada border were discontinued, resulting in some shipments of contaminated meats and other foods. The new Administration must reestablish inspections to guarantee that unsafe food is prevented from crossing the border in either direction.
2. The Bush administration has put U.S. farmers, especially wheat producers, at a competitive disadvantage by its interpretation of the FTA. The new Administration should hold public hearings to determine the full extent of the problems that must be addressed and to find solutions that are mutually agreeable with the Canadians.
3. The FTA has not yet prevented the dumping of products at prices below the cost of production in either direction across the border. The new Administration needs to address this immediately, reexamining the import and export of wheat, corn, pork, and beef in particular.
4. The FTA has jeopardized environmental protection measures on both sides of the border. "Harmonization" of standards under the FTA, for example, led to a lowering of Canadian pesticide standards that now require Canada to allow the import of foods with greater concentrations of pesticide residues. The FTA has also been used to challenge local legislation in the United States requiring recycled fiber in newsprint. The new Administration must ensure that the FTA cannot be used to undermine existing environmental standards in either country.
5. Finally, the new Administration should conduct a general review of all current rules in the FTA. This review should lead to the elimination of those provisions that could harm the public interest and to interpretations of the FTA that reinforce the positive trends occurring in rural America.

Reorientation and Reorganization of the USDA

WITH A BUDGET GREATER THAN \$50 billion and more than 110,000 employees, including those in support offices in almost every county throughout America, the USDA is the second-largest federal agency, second only to the Department of Defense. With jurisdiction over forestry as well as agriculture, USDA policies have a tremendous impact on our nation's natural resources and environmental quality. The USDA is also one of the most

diverse of all Federal Government agencies. To make sure that this decentralized structure leads to positive changes for rural communities, the new Administration must transform the agency beyond its historically narrow focus.

First, it should expand the mandate of the USDA to include the entire rural community—small towns and rural, nonfarming residents in addition to farming families. Similarly, the mandate should be expanded to promote human health, protect the environment, and provide adequate net income to efficient and sustainable farming families.

The new Administration must expand the mandate of the USDA to include basic scientific research that benefits the public at large. Over the past decade its programs have been directed toward simply fulfilling the commercial research needs of a few giant corporations, such as creating special herbicide-resistant plants. Economic and policy research has likewise been directed away from basic analysis to providing statistical alibis for the increasingly indefensible policies of the Bush administration. Recent research and education, for example, have emphasized the maximization per acre or per worker of crop and livestock production without regard to net profit, food quality and safety, or ecological consequences.

The new Administration must make a number of changes in the massive USDA bureaucracy to reorient the agency's mission and reduce budget costs while improving services. The following are key areas needing immediate attention:

1. National food safety and inspection services are now scattered among different federal agencies and departments, including the USDA, the Food and Drug Administration, and the Environmental Protection Agency. The new Administration should consolidate these agencies under one umbrella-style Food and Nutrition Department to end wasteful and costly competition and duplication among competing agencies.
2. Timber and forestry issues are also scattered among the Department of the Interior, the Department of Agriculture, and, to a lesser extent, the Environmental Quality Board and the Environmental Protection Agency. The new Administration should also consolidate these agencies under one umbrella-style Timber and Forestry Department to reduce costly duplication and enable sound, sustainable management through coordinated policy.
3. There are four major overlapping agencies with the USDA: the Agricultural Stabilization and Conservation Program (ASCS), the Soil Conservation Service (SCS), the Farmers Home Administration (FmHA), and the Extension Service. The new Administration should house these agencies

together where feasible, and better coordinate their functions for increased efficiency.

We must forge entirely new farm and food policies to regenerate a sustainable, family-based farming system—a system designed to increase employment, reduce urbanization, protect our water and air quality, provide more nutritious food, conserve wildlife and natural resources, and provide greater food security for all nations, both rich and poor.

To accomplish this shift in policies, the next Administration will need to change some of the underlying values and assumptions that now shape our nation's farm policies, especially the idea that our land and water resources can be used and abused endlessly. It is a shift every bit as crucial and enormous for the natural environment as the abolition of slavery was for the human environment, for just as today we act as if our natural resources are cheap and endless, so in the nineteenth century were similar assumptions held about the human resources of those who happened to be black.

Today we face a task much like that of the nineteenth-century abolitionists. We must lay to rest the idea that the Earth's natural resources can be enslaved, despite any economic dislocation that may result. We cannot delay. The very survival of hungry people today, and in future generations, depends on our success in achieving a more sustainable farming system, one that carefully balances the economic and ecological relationships between people and the land.