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Getting more conservation out of farm policy

By Mark Muller


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The next year promises a spirited debate about U.S. agricultural policy. Although the World Trade Organization talks have temporarily collapsed, compliance with WTO rules will influence the development of the next farm bill, and the actions of our congressional representatives will likewise have a profound influence on the context of future trade negotiations. Couple this with the significant budget reductions placed on agricultural programs and the increased involvement in the farm bill from non-agricultural interest groups, and most policy experts will admit they have no idea how farm policy will evolve in the next year.

Given this uncertainty, many in the conservation community might argue for focusing advocacy efforts on specific programs, such as expanding the Conservation Reserve Program or the Environmental Quality Incentives Program. While we must continue to provide a strong voice for these programs, our vision and organizing need to go beyond the conservation title of the farm bill. While some of our conservation goals can be met with acreage set-asides and better implementation of Best Management Practices on row crops and livestock, other conservation goals, such as meeting water quality standards and significantly reducing soil degradation, require significant shifts in cropping systems. Wholesale changes in agricultural production systems are not feasible without addressing the underlying commodity policies that inhibit these changes.

Over the past 30 years, U.S. farm policy has gradually shifted away from policies that support a fair price for agricultural commodities to policies that are considered more market-based. The assumption was, particularly after the 1996 "Freedom to Farm" Bill, that farmers would diversify away from price-supported program crops, and would be better equipped to respond to market forces for alternative crops. Many people in the conservation community embraced this transition, believing that the 1996 Farm Bill would result in longer crop rotations and more plantings of small grains and perennial crops like alfalfa, forages, and trees.

As we know, the expected diversification of U.S. agriculture has not come to

fruition. Prices for the primary Midwest commodities such as corn and soybeans have indeed fallen as expected, sometimes down to prices not seen for 60 years. Yet despite these low prices, corn and soybean acreage continues to dominate the Midwest. Since 1996, the U.S. corn area harvested is up 400,000 acres, and the soybean area harvested is up over 4 million acres. Why haven't farmers shifted cropping systems as market forces would have suggested?

A System that Resists Change

To substantially expand the conservation benefits produced on agricultural land, we need to think about the forces that foster the current agricultural system. There are very good reasons why regional cropping systems, such as the Midwest's corn and soybean rotation, remain static. Part of the problem is farmers' natural resistance to change and risk. Farmers have made a significant investment in equipment, storage and other infrastructure for particular crops. They have also developed a level of expertise in those crops. Alternative crops require the development of new markets, transportation networks, and processing capabilities, all of which add risk to farmers. Government payments for program crops like corn and soybeans also reduce the incentive for transition, although several studies suggest that the perceived role of subsidies is greatly exaggerated.

A second, and perhaps more powerful, component of the problem is the financial interest of the food processing industry. Buyers of farm commodities profit when crops are plentiful and cheap. The poultry and pork industries have invested heavily in confined feeding operations, which are profitable because of the very low prices of their primary feeds, corn and soybeans. Food processors also invested in the development of high fructose corn syrup, which has become a profitable alternative to sugar because the price of corn is so low. Ethanol is another industry that thrives on low-priced corn. Because of these substantial investments in using low-priced grain and oilseeds, there is considerable political strength behind maintaining current policies.

The end result has been the development of an entire food sector based on low-priced commodities, and a farm policy that does not address any of the inherent failings in agricultural markets. No matter how market-based agricultural policies become, three production issues will continue to limit the ability of farmers to make appropriate cropping decisions:

1. More than almost any other industry, the volume of agricultural production varies tremendously with weather. A farmer can base his spring planting decisions on extensive research, only to end up losing money because of bad weather, or perfect weather that induces a bumper crop and low prices.

2. 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 winter, and are helpless to respond to market fluctuations as they wait several months for harvest.

3. 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.

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 in order 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 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 sell-

ing high, the government-operated storage facilities could actually make money for taxpayers, while smoothing out the price spikes that are so 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 operating 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 supply in reserve in order to meet those periods of peak demand. Food is the perfect example of a commodity with which supply must always exceed demand. Why exhaust soil resources and contaminate water supplies when farmers would be better off with less production and higher prices?

Critics of government frequently state, with some validation, 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. Unfortunately, the policies instituted by Henry Wallace have been slowly eroded to the point where the prices of the principle commodities in the Midwest – corn, soybeans, and wheat – usually cost farmers more to produce than they receive from the marketplace. Now, instead of addressing the market distortions inherent in agriculture, government payments are used to simply make 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. For the 2005 cropping year, USDA expects to provide corn farmers with $9.7 billion in payments. Subsidies, after all, distort markets, and promote more production of a particular crop than the free market would produce. This strategy, however, ignores the fact that subsidies are not the root cause of the problem. Rather, subsidies are 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 who want to strengthen soil and water conservation, the solutions are more complicated than simply getting more acreage in set-asides or reducing subsidies. In addition to the conservation community's traditional advocacy for conservation title programs, here are other policy directions to consider:

Increase research and development funding for perennial crops. Through decades of federal research funds, commodity checkoff funds and land grant research, the private investment engine has been sufficiently primed for crops such as corn, soybeans, and wheat. The low price of these commodities also provides a large enough profit incentive for private industry to develop new uses for these crops. It is more difficult to lure private investment into new uses of cellulosic material, forages or prairie grasses. More R&D funding is needed to promote the promising products that will come from these environmentally preferable crops.

More collaboration with the public health community. Many conservation organizations advocate for financial incentives for farmers to diversify beyond corn and soybeans. At the same time, a number of public health organizations are getting involved in food and agricultural policy, seeking to reduce the consumption of high fructose corn syrup and partially hydrogenated soybean oil. If these two communities can find common ground, there is tremendous potential to develop policies that support diversified agricultural systems.

Maintain fair prices for all crops. The devastating impact that low commodity prices have had on Midwest agricultural communities over the past three decades is obvious. Less apparent, however, is how low commodity prices foster more agribusiness investment into those already overproduced commodities. The result is a continuous cycle of less cropping diversity and lower prices, adversely affecting both farmers and the environment.

The livestock feed industry exemplifies this problem. Consumers are increasingly demanding grass-fed, omega 3-rich meat and dairy products, while conservationists support more acreage in perennial forages. But unfortunately, it's difficult for pastured livestock farmers to compete against the confined livestock industry, which receives an enormous subsidy from purchasing corn and soybeans below the cost of production. Fair commodity prices would induce more investment into pasture, cellulosic ethanol, and other environmentally preferable practices.

We need to remember that changing agricultural policy is not an end in itself, but rather a vehicle for affecting the individual decisions of millions of farmers, consumers, and businesses. Our present agricultural policies are not supporting the conservation benefits, the healthy food systems, or the thriving, diverse farms that most Americans favor. We are at a unique convergence of international pressure, budgetary constraints, and growing public interest. It's time to think big. ▣

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