New Farm Bill and U.S. Trade Policy: Implications for Family Farms and Rural Communities[1]

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American agriculture is in crisis. For more than five years now, prices for nearly all agricultural commodities – including corn, soybeans, wheat, hogs, and cattle – have persisted at levels well below break-even for most farmers. Congress has responded to the crisis by providing annual "emergency" supplemental government payments to farmers. Year-after-year low prices have persisted and year-after-year American farmers have relied on additional "emergency" payments to keep their farms afloat financially. These "emergency" payments, ranging from $5-$9 billion each year, have done nothing to address the roots of the crisis. For most farmers, government payments simply helped them scrape together enough cash to farm another year. Yet, when the time came for Congress to write a new Farm Bill, they did little more than formalize the failed farm policies of the past five years.

On May 13, President Bush signed the new Farm Bill, "The Farm Security and Rural Investment Act of 2002." At the signing ceremony, the President said, "The farm bill will strengthen the farm economy… will promote farmer independence, and preserve the farm way of life for generations. It helps America's farmers, and therefore it helps America." These same kinds of claims have been made for every U.S. Farm Bill since the 1930s. Yet, the farm economy has continually floundered and American agriculture has limped from one crisis to the next. And now, independent family farmers are becoming a rarity. It's difficult to believe this particular Farm Bill will do any of the things promised. It most certainly will provide for neither "farm security" nor "food security" and it will do nothing to improve the lives of people in rural America. Past Farm Bills have done nothing to make family farms and rural communities more secure, and in this respect, this Farm Bill is no different.

The pervious Farm Bill, called Freedom to Farm, was supposed to provide a transition period that ultimately would "get the government out of agriculture." American farmers would be allowed to compete freely in a new "global" agricultural economy. Freedom to Farm removed most previous restrictions on production of agricultural commodities – farmers were free to plant as much as they wanted of virtually any crop they wanted to grow. Government payments were continued as a "one-time incentive" for farmers to give up their reliance on government programs. Payments were based on "historical production levels" and were to be phased out over the life of the bill. Growth in agricultural exports was to bring new prosperity to American farmers, making government price and income supports unnecessary.

However, "Freedom to Farm" became known as "Freedom to Fail." U.S. farmers found that they simply couldn't survive at market prices offered by the new "global economy." The U.S.

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share of world exports dropped year after year, for commodity after commodity – in spite of USDA's persistent forecasts that "farm exports are expected to improve next year." U.S. farmers found that they couldn't compete with agricultural producers in South America, Australia, China, and other places where costs of land and labor are a fraction of costs in the U.S. Faltering economies in the Pacific Rim and a strong U.S. Dollar contributed to trade problems, but the root causes of the crisis go far deeper and are more permanent. Very few places are left in the U.S. where prices of farmland are not affected by their potential residential use. As more people flee the suburbs for a better quality of life, the cost of U.S. farmland will continue to rise, regardless of what happens in agriculture. Relatively good paying non-farm job opportunities in the U.S. also will keep farm labor costs well above those in "lesser developed" countries of the world well into the future.

Traditional advantages for American farmers through greater access to capital and technology no longer exist. In the new global economy, capital can and does move freely and quickly around the world, to wherever it can earn the greatest return on investment. Multinational agribusiness firms now control much of the new technology, biotechnology being a case in point, and apply these technologies wherever in the world they expect to earn the highest return. Increasingly capital and agricultural technologies earn their greatest returns somewhere other than in America.

America may still have the most knowledgeable farmers in the world, but knowledge – at least farmers' knowledge – is becoming less important in agriculture. Many of the new technologies have taken the unique "farming skills" out of agricultural production – e.g., Round-up Ready soybeans and factory livestock feeding operations – making it possible for virtually "anyone" to become a "good contract producer." When "farming" can be done "by recipe," it doesn't require much real "knowledge" of farming, and it can be done by virtually anyone anywhere in the world.

American farmers are no longer competitive in world markets. Without the annual government "bailouts" under "Freedom to Farm," hundreds of thousands of additional American farmers would have failed. We would have been in the midst of a farm financial crisis at least as great as during the 1980s, when farm foreclosures and suicides were commonplace on the evening news. Today, American farmers are among the most heavily subsidized of any farmers anywhere in the world. But, government payments have done nothing to address the real problems of American agriculture. And the new Farm Bill, with its promise of around $20 billion per year in government payments to farmers, will do nothing more than continue costly subsidies with no hope for real solutions.

The Farm Security and Rural Investment Act does little more than formalize the process by which farmers are provided annual "emergency" commodity-based payments – a process initiated by Congress in 1997 and continued to the present. Modest changes made in commodity programs, such as a virtual removal of all limitations of size of payments, are likely to make the situation worse, not better, for family farms and rural communities. Ten percent of agricultural producers, including many large corporate operations, have been receiving more than two-thirds of all commodity payments. Fewer large operations will get an even larger share under the new farm bill. A provision allowing farmers to adjust their "historic base acres" upward, may spur even greater excess production under the new Farm Bill.

The new Farm Bill does include some rays of hope in new programs, but they are difficult to see through the darkness of failed programs from the past. The new Conservation Security Program (CSP) promises to provide payments to farmers who agree to be good stewards of the land and the natural environment. Eligibility for the program is not limited to producers of traditional program commodities who are currently using questionable conservation practices. Most importantly, the CSP is an "entitlement program," meaning no legislative limit to the number of farmers who can enroll. However, the "devil may be in the details." In this case, just "how much" incentive will be given to farmers to participate? The new bill also gives increased recognition of the legitimacy of "organic farming." But, programs supporting organics and other approaches to sustainable agriculture still will receive less than one percent of public funding for research and education.

For every victory, it seems there were two defeats. Changes in the Environmental Quality Improvement Program (EQUIP) now promise huge government payments to corporate confinement animal feeding operations, subsidizing almost certain continued destruction of the rural environment. And, a number of Senate proposals that would have helped to restore competition to agricultural markets were defeated either on the Senate floor or in the Conference Committee. Agribusiness corporations were left with a "free reign" to force farmers into signing comprehensive production contracts, as their only means of maintaining access to markets.
The new Farm Bill was not designed to meet the needs of farmers, but instead, to meet the needs of the *Agricultural Establishment.* The *Agricultural Establishment* is comprised of corporate agribusiness, the commodity organizations, USDA, and the Land Grant Universities. The general farm organizations, particularly the Farm Bureau, also tend to support the *Agricultural Establishment*, rather than representing the bulk of their farmer members. Congress tends to respond to the demands of the *Agricultural Establishment* – considering it to be representative of American agriculture – regardless of the consequences for family farms and rural communities.
All of the "dominate players" in the agricultural policy process have vested interests in maintaining high levels of production. Profits of agribusiness corporations depend on margin and volume, not farm-level price. Surplus production means a higher demand for marketing services, resulting in wider margins on a larger volume of sales. Thus, surplus production depresses farm prices more than retail food prices, and generates more profits for processors, distributors, and retailers. Surplus production also means more sales of seed, fertilizer, pesticides, etc., and more profits for input suppliers, even if farmers are losing money.
Commodity organizations want to keep production levels high because most are funded by check-off programs that assess producers a given amount per head, per cwt. or per bushel of production. Those that aren't, still put the status of "their commodity" ahead of the profitability of "their farmers," because most of "their farmers" produce several different commodities.
Agricultural specialists in USDA and in the Land Grant Universities tend to share a similar mentality. They want to maintain the importance of a particular commodity, in which they specialize, and the importance of the agricultural sector of the national economy. "Increased importance" tends to translate into "increased production." With a limited domestic demand, increased production translates into high levels of agricultural exports, which are possible only if commodity prices are "competitive" – meaning low. If corporate control of agriculture is

necessary to keep U.S. producers competitive, then family farms and rural communities will somehow have to accommodate the corporatization of agriculture, so they say.

Not surprisingly, the same forces that have shaped U.S. farm policy have shaped U.S. agricultural trade policy. The *Agricultural Establishment* encouraged U.S. farmers to support the North American Free Trade Agreement (NAFTA), with the promise of free access to growing markets of agricultural products in Mexico and Canada. The *Agricultural Establishment* told U.S. farmers that agriculture should be brought under the General Agreement on Tariff and Trade (GATT), with the promise of greater access to growing markets worldwide. The NAFTA became law on January 1, 1994 and the World Trade Organization (WTO), with greatly expanded authority over agricultural trade, replaced the GATT on January 1, 1995. Most American farmers embraced these new trade agreements, along with "Freedom to Farm" bill of 1996, because the Agricultural Establishment convinced them that "global free trade" was their key to prosperity.

So far, corporate agribusiness has been the only major benefactor of the new global agricultural economy. Agribusiness has prospered while American farmers have been made unwilling "wards of the government." The only industry more profitable than food processing and distribution during the decade of the 1990s was pharmaceuticals. The farm commodity organizations and the Farm Bureau have come under increasing criticism from the rank and file of their farmer members, as their true allegiances have become more widely known. The USDA and the Land Grant Universities have become viewed with increasing skepticism by many farmers because of their close financial and professional alliances with corporate agribusiness. American farmers are beginning to understand that the "future of farming" and the "future of the agricultural industry" are two distinctively different concepts.

Increasingly, the *Agricultural Establishment* is becoming dominated by the agribusiness corporations, which increasingly are multinational in scope of operation and ownership. Not surprisingly then, Americans increasingly are losing control of American agriculture. Increasingly, decisions concerning what to produce, how much to produce, where to produce, how to produce, and who will produce, are being made, not by American citizens, but by a handful of multinational corporations.[3] The people who own the land and do the work may still be Americans, but the decisions are being made by someone else, somewhere else. For the most part, contractual arrangements dictate the important decisions, leaving "producers" as little more than landlords, tractor drivers, or hog house janitors, but certainly not with the traditional role of "farmer."

The agribusiness corporations dictating the terms of these contracts are legal entities but they are not people. They have no families, no friends, no communities, and increasingly, no national citizenship. The people who work for these corporations are real people – citizens with families, friends, and communities. But, once corporate ownership is separated from management, as in

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[3] For summaries of global food consolidation studies, see articles by Mary Hendrickson and William Heffernan, in Small Farm Today Magazine, April 1999 and July 2001, also available on the Internet at http://nfu.org/images/heffernan.pdf and http://nfu.org/images/heffernan1999.pdf

the case of most publicly held corporations, the people within corporations have no choice but to serve the economic needs of the corporation for profits and growth. Many investors, who have their savings in mutual funds and pension funds, for example, don't even know how many shares of which companies they own. The only reason such people invest in corporate stock is to increase the value of their savings – to make money. The multinational agribusiness corporations who will control American agriculture have stockholders scattered throughout the world, and thus, have no citizenship. If it's more profitable to produce food somewhere other than in the U.S., ultimately, that is where it will be produced.

Before the corporations abandon America agriculture, however, they will have turned much of rural America into a “third-world” wasteland. Industrial poultry and hog production – with large-scale confinement animal feeding operations – provides a prime example of the legacy of corporate agriculture. These operations consistently pollute the rural environment with odors and waste, yield minimum returns at best for laborers and investors, and drive family farming operations out of business. Polluted streams and groundwater, abandoned waste lagoons, eroded and depleted topsoil, depleted aquifers, rural crime, a de-skilled workforce, and decaying rural communities; these will be the legacies of the corporatization of American agriculture. As rural residents come to understand and react to these threats, the corporations eventually will find it easier and cheaper to produce food and fiber elsewhere in the world. And with a global, “free market” economy, there will be nothing to keep them from moving their agricultural operations elsewhere.

Economists argue we need not be concerned about becoming dependent upon the rest of the world for our food. We will be even better fed at a lower cost, they say. But in times of crisis, a nation that can't feed itself is no more secure than is a nation that can't defend itself. Perhaps we won't abandon agriculture completely, but we could easily become as dependent on the rest of the world for our food as we are today for our oil. Perhaps, we can keep our food imports flowing, but how large a military force will we need, how many “small wars” will we need to fight, how many terrorist attacks will we endure, and how many people will be killed? The cost of this approach to food security is simply too high.

Ultimately, the food security of America depends on the viability of its independently operated, family farms. To sustain the productivity of the land, we must have people on the land who know the land and know how to take care of that land, and who are committed to caring of the land. We must have people on the land who love the land. Large corporate producers have no commitment to any particular piece of land – most don't even own most of the land they farm. They can't really “know the land” because they are trying to farm too much of it to “know any of it” very well. Many don't know how to take care of the land – they depend on a prescribed regiment of commercial inputs for their productivity, not on a healthy soil. They can't really afford to love the land because they must stay focused on the “bottom line” – they have to stay competitive. American food security depends on having more, smaller, independent family farmers. A farmer can only truly love so much land.

Thankfully, a new type of agriculture is emerging to address the current crisis in American agriculture. Groups of creative, innovative, entrepreneurial farmers all across the country are seizing the opportunities inherent within the necessity for change – they are creating the *New*

American Farm[4]. These new farmers may claim the label of organic, low-input, alternative, biodynamic, holistic, permaculture, ecofarmers, practical farmers, or just plain farmers. But they are all pursuing the same basic purpose by the same set of principles. These *New American Farmers* are creating new systems of farming that take care of the land, that help build strong communities, while providing a good quality of life for their families. They are discovering ways of farming that are ecologically sound, economically viable, socially responsible, and thus, will be sustainable over time.

To sustain the productivity of the land, farmers who love the land must have the time to take care of the land and must be able to afford to take care of the land. Thus, independently operated family farms also must be economically viable. By redirecting farm policy toward ensuring the economic viability of these smaller, independently operated, family farms, we can go a long way toward ensuring our long run food security.

Much of the current public support for agricultural programs stems from the belief that today's programs somehow help smaller independent family farmers. There is very little truth to support this belief. Government payments may have helped farmers put in another crop during times of economic stress but they have done nothing to secure the economic future of family farms. In reality, U.S. farm programs have become little more than welfare programs for wealthy landowners and agribusiness corporations. It's absurd to argue that current farm policies ensure either farm or food security, while those policies subsidize the corporate industrial systems of production that are forcing farmers to become contract producers and are placing our food security at risk. Fortunately, more and more people are becoming aware that current farm programs are not working for the good of farmers, consumers, or the public in general. This growing public awareness creates an opportunity for change.

Congress must somehow find the courage to focus agricultural programs of the future on using "public funds," to produce "public benefits" – not on subsidizing wealthy landowners and corporate investors. The *Agricultural Establishment* does not represent the interests of family farmers, rural residents, or the public in general. For the most part, societal benefits of agriculture, such as food security, accrue to "the public" – to people in general. The ecological benefits of agriculture, such as protection of water quality, accrue to "the public" – not to specific individuals or corporations. The creation of "public benefits" must become the focus of "public farm programs."

The private economy provides food and fiber for those who are able to pay the cost. And, the prospect of profits provides adequate incentives for investments in the private food and fiber economy. But, private markets will not provide adequate incentives for investments needed to ensure the social and ecological benefits from agriculture. Thus, we must make those investments collectively, through government. If the potential ecological and social benefits of

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[4] For 50 real life examples, see "The New American Farmer – Profiles in Agricultural Innovation," the SARE Program, USDA, Washington DC. ($10 US – call: 802-656-0484 or e-mail: sanpubs@uvm.edu , also available free on line at http://www.sare.org/newfarmer)

agriculture are to be realized, they must be encouraged through public, rather than private, investment – through government programs.

This is not a radical concept. For several years, the Europeans have argued that agriculture is "multifunctional" – that it performs social and ecological functions, in addition to its private economic functions. This has been their consistent position in world trade negotiations. Many Europeans understand the consequences of "food insecurity" – they remember World War II. The Europeans have argued that each nation should be allowed to maintain government programs necessary to ensure long run food security. They have a deeper appreciation of the "public benefits" of having larger numbers of farmers on smaller farms – to take care of the land and to support rural communities. They have argued that removal of trade restraints on "private markets" should not preclude governments from ensuring continued "public benefits" from agriculture. It is not radical to claim that governments have both the right and responsibility to protect their people and their natural resources from economic exploitation.

The cornerstone of a new American farm policy should be long run agricultural sustainability. A sustainable agriculture is an agriculture capable of meeting the needs of the present while leaving equal or better opportunities for the future. A sustainable agriculture must be ecologically sound, economically viable, and socially responsible. An ecologically sound agriculture provides clear benefits to the "public," both now and in the future, beyond the economic benefits to farmers. A socially responsible agriculture provides clear benefits to the "public," both rural and urban, beyond the economic benefits to farmers. An economically secure agricultural sector provides clear benefits to the "public," in terms of food security, beyond the economic benefits to farmers. A government farm program based on long run sustainability would be fundamentally different from the Farm Security and Rural Investment Act of 2002. First, with respect to ecological integrity, government farm programs eventually must recognize that no one has the "right" to degrade the natural environment. Thus, all farmers should be required to meet environmental standards that conserve the soil, protect the quality of water and air, and in general, ensure the integrity of the natural resource base. The rights of "private property" have never included a right to destroy the productivity of the land or to degrade the natural environment. New ecological programs, such as the Conservation Security Program payments, should be limited to rewarding farmers who "rebuild" soil fertility," restore" water quality, and "enhance" the natural environment.

A socially responsible agriculture must provide farmers and ranchers, as people, with opportunities to lead productive, successful lives. This doesn't mean that everyone who chooses to farm has a right to do so, regardless of their ability or willingness to apply themselves to the occupation. However, those who choose to farm, and are willing to farm sustainably should be given an opportunity to do so. To support such opportunities, government benefits should be limited to individually owned and operated farms and to family farms. And, the benefits should be paid only to "real" people, not to corporations. The objective should be to provide self-employment opportunities for farmers and others in rural areas, not to subsidize the landowners and corporations that threaten our food security. The overall goal of the new American farm policy should be to keep enough independent family farmers on the land, farmers who are committed to farming and ranching sustainably, to ensure the long run food security of the nation.

The first question likely to arise is; how would the government pay for such a program? The answer, with the same dollars used to support current farm programs, although the total cost could be considerably less. And in contrast to existing farm programs, a sustainability-based farm program could be designed to be self-liquidating over time. The second question might be; how would the government administer such a program? The answer: as simply as possible. Willard Cochrane, long-time agricultural policy expert, has proposed that each "family farm" be awarded an annual payment of $20,000 per farm. Dr. Cochrane's proposal might be amended to provide for a $20,000 "tax credit" to go to each "family farm that is demonstrating progress toward sustainability." Farmers who are approved for the "tax credit" would also have an alternative farm "tax rate" – possibly, 50 percent of total net farm income. Thus, as net farm income increases, the advantage of the alternative "tax rate" and "tax credit" would diminish. At a net farm income of $40,000, for example, the taxes owed (50% of $40,000) would completely offset the $20,000 tax credit. At some higher level of income, probably between $60,000 and $80,000, it would be advantageous for the farmer to give up the special "farm tax credit," and be taxed as any other business. At this point, however, the sustainable farming operation would be sufficiently profitable to ensure its sustainability without any further government support.

Farmers would be free to farm as many acres and to produce as much as they choose, but the tax credit would be limited to $20,000 for each full-time, independent farmer. No one would dictate who should produce how much of what products. Those decisions would be made by farmers, not by the government, and not by the multinational corporations. Farmers who chose not to participate in the long-run food security program would not be required to have a sustainability transition plan but would not be allowed to exploit their land or to degrade the natural environment. No one, either American or foreign, has the "right" to exploit either the land or the people for short run economic gain.

Such a program could be called a "Farm Tax Program" rather than a "Farm Bill." The Farm Tax Program would provide farmers with many of the employment security benefits available to other public workers – minimum wages, unemployment benefits, and workers compensation. The farmer would have the assurance of the "tax credit" to tide them over in years of crop failures, depressed prices, times of ill health or other economic set backs on their way to achieving sustainability. Over time, farmers would be required to show progress toward sustainability to remain eligible for the "tax credit." If, after some specified number of years, they fail to achieve economic sustainability, they could be helped to find employment elsewhere, freeing up their farm for a beginning farmer, who would then be eligible for the Farm Tax Program."

The principles guiding U.S. agricultural trade policies should be simple and straightforward. A truly effective World Trade Organization would empower every nation the right, and the responsibility, of protecting its natural resources and its people from economic exploitation. People within nations should be allowed to decide the conditions under which they choose to trade and choose not to trade, without threats or coercion.

The natural ecosystem is global, not national, thus all nations have a responsibility to ensure that the environment is protected for the benefit of all people of the world. Increasingly, all nations share in a global culture, but global culture need not, and should not, erase all cultural differences among people. And, no nation has the right to impose the values of their culture upon other cultures of the world. The economy is increasingly global in nature, and there is much to be gained from trade among nations. But, the removal of all national economic boundaries would inevitably lead to economic exploitation of the weak and the poor by the strong and the wealthy and to economic exploitation of the natural environment. The only truly "free trade," is trade among people who are truly "free not to trade." U.S. trade policy should respect rights of all nations "not to trade," thereby promoting world trade when it is truly beneficial to all.

Other government programs, including publicly funded research and education, could be redirected to support sustainable farming – to provide true public benefits rather than support private/public partnerships. State and federal programs could also be targeted to developing the physical and informational infrastructure needed to support local, niche markets needed for "sustainable-sized" farms – connecting local consumers with local farmers. Federal, state, and local governments could be required to purchase agricultural products from local farmers supported by this program to enhance their chances for success. Government stocks of grains and other storable commodities could be held in farmer-owned facilities to keep them in the local community, as well as enhance farm income. The justification for local purchases would be to provide maximum total "public benefits," rather than minimizing the cost of one public program at the expense of another.

Skeptics in the *Agricultural Establishment* question whether we can afford to abandon public support of large-scale, corporate agriculture in favor of sustainability. Surely, food costs will go higher, they claim, and consumers will revolt. However, such contentions are not supported by facts. Americans spend a little more ten-percent of their disposable income for food – a dime of each dollar. Equally important, less than a penny of each dime they spend goes to the farmer who produces the food – eight cents goes for packaging, transportation, advertising and other marketing services, and more than a penny goes for purchased inputs. If farmers received nothing, food prices could only be ten percent lower at retail, and if the farmers received twice as much, food prices would need only be ten percent higher. Americans can afford a sustainable agriculture. But more important, with greater corporate control and market power, food prices in the future are far more likely to be higher with a corporate agriculture than with a sustainable family farm agriculture.

As long run food security programs are implemented, the productivity and economic viability of independent family farms will rise, and the costs of government farm programs will fall. As ecologically sound and socially responsible farms become more productive and profitable, without government assistance, a sustainable agriculture will have permanently displaced the unsustainable industrial system that was based on industrial exploitation of people and of nature. As industrial agriculture runs out of resources, places, and people to exploit, it will be surpassed in productivity and profitability by new sustainable systems of farming. Over the long run, a sustainable agriculture will feed more people better at a lower cost. And farmers, once rewarded with the quality of life of sustainable farming, will not revert to the pursuit of narrow, individual economic self-interest – as long as government fulfills its responsibilities to maintain competitive markets and to eliminate corporate welfare.

Today, American agriculture is in crisis. The crisis will not be resolved by the new Farm Bill or by new U.S. trade policies. American agriculture cannot compete, and shouldn't even try to compete, in the current “race to the bottom” – to see which country can produce the “cheapest” agricultural commodities, to create corporate profits through exploitation of land and people. Crisis, however, creates opportunity for change. There is a growing awareness that current agricultural and trade policies quite simply are not working.

Government programs of the future should focus on using “public funds” to create “public benefits” – not to subsidize wealthy landowners and corporate investors. Global “free markets” may provide food and fiber for those who are willing and able to pay – at least during times of tranquility. But, “free markets” will not ensure long run national food security. Long run food security depends on having an agriculture that is ecologically sound and socially responsible, as well as economically viable. American food security depends on agricultural sustainability. Agricultural sustainability depends on having people on the land who love the land and are committed to taking care of the land – for the benefit of their families, their communities, and their country, both today and in the future. American food security depends on having government programs and trade policies that ensure the economic viability of more, smaller, independent, family farms. Now is the time to begin working toward such policies – before it is too late.