

A season of discontent

State officials talk about the issues facing agriculture in their regions and their priorities for the 2002 farm bill.

Times are tough down on the farm these days. Lower prices, commodity surpluses and foreign recessions the past two years have fueled a downturn in the U.S. agricultural economy.

In addition, droughts and weather disasters have hit producers in the Northeast and South especially hard in recent years.

These events are causing many to question the wisdom of a fundamental shift in federal farm policy Congress made in 1996. At that time, Congress abandoned price and supply controls in favor of a market-oriented agricultural economy. Since then, a roller-coaster ride of record high and low prices has left many questioning the decisions made in the 1996 farm bill, known as the Federal Agriculture Improvement and Reform Act or FAIR.

While Congress is scheduled to revisit federal farm policy in 2002, some are saying changes are needed sooner. In the months ahead, lawmakers in the nation's capital and in the states will discuss the existing policy and the future of U.S. agriculture.

The Council of State Governments will hold regional forums this summer and fall for state officials to suggest policy recommendations. The following interviews with state legislators and agriculture commissioners give regional perspectives on agriculture and federal farm policy.



The EAST Saving small farms

Although the Northeast is not generally perceived as an agricultural region, it is home to more than 135,000 small- and medium-sized family farms, totaling more than 20 million acres and more than \$10 billion in annual sales. Many of these smaller family farms are disappearing as farmers sell their land to escape economic ruin because of his-



Drought and floods in the East hurt farmers with livestock to feed. Photo courtesy of K-P Ag Relations, Trumansburg, N.Y.

torically low commodity prices and recent severe weather conditions.

In the Northeast, some believe the region's agriculture crisis partly stems from a national policy that is based on the interests of other regions of the country. "The problem with the 1996 farm bill is that it is based on formulas that affect Midwest farms and are not appropriate for small farms in the Northeast," said New York Sen. Nancy Lorraine Hoffmann, chair of the Senate Agriculture Committee. She



New York Sen. Nancy Lorraine Hoffmann

said cost-sharing and set-aside programs that work elsewhere are not practical for Northeast farmers and may cause them to take a loss in the long term.

Northeast farmers also did not benefit as much from disaster assistance despite crop losses exceeding \$2 billion from a fierce drought last summer, followed in September by severe flooding due to Hurricane Floyd. Instead, federal emergency assistance in 1999

predominantly provided price supports for farmers in the Midwest and South.

The 1996 farm bill eliminated many of the key emergency assistance programs, while others were unavailable because of strict eligibility requirements. The 1996 act eliminated the Livestock Feed Program, which covered losses for eligible farmers with insufficient feed to maintain their livestock. Vermont Sen. Sara Branon Kittel, chair of the Senate Agriculture Committee, said because of that, "We've had to appropriate state money for droughts and floods."

Current disaster-assistance and crop-insurance policies fail to cover specialty crops grown in the Northeast, said Robert W. Spear, commissioner of the Maine Department of Agriculture, Food and Rural Resources, and incoming chair of the

Northeast Association of State Departments of Agriculture. "We here in the Northeast are looking to protect more than just the commodity crops," Spear said. "Some of the smaller agriculture crops grown in the Northeast don't get the attention that the large commodity crops get." He calls for expanding federal programs, including crop insurance, to spe-



Pennsylvania Rep. Tom Armstrong



Vermont Sen. Sara Branon Kittel

cialty crops that dominate much of Northeast agriculture.

Pennsylvania Rep. Tom Armstrong said he would like for future federal programs to better account for severe weather conditions. He criticized current disaster assistance programs that base payments on five-year average yields. Armstrong said, "A drought year could really skew the numbers." He suggested eliminating the lowest production year to avoid distortions in the event of disastrous weather conditions.

Land preservation and coordination with environmental policies also are concerns. "We need a strong national policy to promote the conservation of land," Kittell of Vermont said. "We need to pay farmers for their land and for buffer strips, and put more resources into conservation programs."

New York's Hoffmann wants to see "the myriad of environmental programs support agriculture in the Northeast, which is closer in proximity to urban areas than in other parts of the country."

Northeast state officials remain optimistic for the upcoming farm bill. "Fortunately for us, many Northeast members of the [U.S.] House and Senate understand these issues and are anxious to make things right in the 2002 bill," Hoffmann said.

Armstrong cautioned, "We will be watching very closely to see how the bill is drafted."

— Sandra Kiil Leber is senior policy analyst, CSG Eastern office



Southern agriculture is in trouble. Southern farmers are feeling the pinch after two seasons of drought and near-drought conditions, a predicted third dry season and record-low commodity prices. While the evidence of a crisis in the rural South is clear, there is little unanimity on the causes for this situation.

Ask any legislator from a rural district about the top issues facing agriculture, and grab a chair. Most lawmakers can list a half dozen or more pressing concerns without pause. They will cite the weather, low prices, consolidation and the structure of agriculture, Freedom to Farm, loan values, inadequate crop insurance, land-use pressures, regulation and poor overseas markets.

Facing this range of issues, Oklahoma Sen. Paul Muegge,



Oklahoma Sen. Paul Muegge

chair of the Senate Agriculture Committee, said the central problem "is farm policy, plain and simple." Muegge said, "The other issues are important, but farm policy, particularly at the federal level, is driving agriculture to a centralized system that lowers prices but can't increase consumption. At some point, we have to ask if this is the kind of system we want."

Agriculture in the South, as in much of the rest of the nation, has undergone a radical structural shift over the past decade, with fewer companies participating in the market.



Cotton once was king in the South. Photo courtesy of the Mississippi State University/the Mississippi Department of Agriculture and Commerce

Missouri Rep. Gary Wiggins, vice chair of the House Agriculture Committee, points to this and the loss of markets for independent producers. "Consolidation," he said, "has resulted in three or four firms controlling major portions of the markets."

Many state lawmakers and federal politicians lay the blame squarely on the shoulders of the landmark FAIR Act. "The 1996 act is causing feed grains, wheat, rice and soybean production to shift out of the South into more competitive regions," said South Carolina Sen. Phil Leventis, chair of the Senate Agriculture Committee. "The short-term impact of the act has been negative in that it has caused lower prices for the farmers, thus forcing many of them to go out of business."

Not everyone is critical of the 1996 farm bill, however. "In general, Texas producers are happy with the act and the freedom that they receive under this law," said Texas Sen. Tom Haywood, chair of the Senate Agriculture Committee. "The only concern Texas has is the lack of an adequate safety net to account for disasters due to weather or low prices."

Low prices, Haywood said, are a function of not being

able to trade U.S. products as widely as farmers would like. More open international markets, including opening the vast Chinese market to more American agricultural products, would go a long way to relieving the pain on American farms, Haywood said.

Not everyone echoes this sentiment, however. Muegge contended that the international market has absorbed as much American production as it can. The FAIR Act's reliance on overseas markets for the health of the American farm "is fundamentally flawed," Muegge said.

In addition to the turmoil in international markets, the South faces a shrink-



Despite the appearance of abundant crops, Midwestern farms aren't faring well.



Texas Sen. Tom Haywood

ing domestic market for tobacco. Declining tobacco consumption and increased reliance on imports has caused drastic quota reductions for producers over the past three years. As several tobacco-state lawmakers noted, the question of the future of the quota system creates tremendous uncertainty in tobacco communities. For most tobacco farmers, there are no viable alternative crops that will generate sufficient returns to sustain farmers and farm communities, and the loss of tobacco income could be the death knell for a number of small, rural communities.

— Jonathan Watts Hull is a regional representative, CSG Southern office



Drive along any highway in the Midwest and you will feel fairly certain that the agricultural economy is as strong as ever. Like a scene from an Andrew Wyeth painting, quaint farms dot the landscape, and cows and pigs tend to outnumber people in most areas.

But the endless rows of corn and beans belie the fact that farmers in the Midwest are struggling to survive. Ask just about anyone in the region and they will tell you that the area has been hit hard by the record-low commodity prices

of recent years. Even though the region has some of the most fertile farmland in the nation, many farmers are won-

CSG regional forums

In partnership with the National Association of State Departments of Agriculture, The Council of State Governments is organizing forums for legislators and agriculture commissioners to discuss the 2002 farm bill. Each CSG regional office will host a forum and put forth the resulting regional recommendations on the federal farm policy. A national forum then will draft a unified state government position. The CSG forums for state officials will complement NASDA's public regional field hearings.

CSG forums

CSG Eastern Regional Conference Annual Meeting
Aug. 6-7 Providence, R.I.

CSG Midwestern Legislative Conference Annual Meeting
Aug. 6 Minneapolis

CSG-WEST Annual Meeting
Nov. 14-15 San Diego

CSG Southern Legislative Conference Fall Legislative Issues Conference
Nov. 15-16 Coral Gables, Fla.

NASDA field hearings

June 14	Louisville, Ky.
June 15	Castile, N.Y.
July 20	Boise, Idaho
July 26	Kansas City, Mo.



Kansas Sen.
Steve Morris

dering how they are going to pay the bills and feed their families.

"I've been telling people that I've got two nonpaying jobs — the Legislature and farming," said Kansas Sen. Steve Morris, chair of the Senate Agriculture Committee, who raises wheat in the southwestern part of his state. "I think that the flexibility that Freedom to Farm offers is good for everybody involved — in particular the grain farmers," he said. "But, it is very difficult when you have receipts coming in that are equal to what you had 50 years ago."

Others are not so generous in their views of the federal legislation. Iowa Rep. Dolores Mertz, said, "I call it the Freedom to Fail Act." Mertz, whose sons are the fourth generation to farm her family's land in north-central Iowa, said she has discouraged her grandson from returning home after college to take over the farm. "I'd love for him to be the

fifth generation to farm the land, but I told him to wait awhile, get a job, save a little money and then see. I don't see that agriculture will turn around for another three or four years."

Morris and Mertz, like many others in the region, feel that there is much that the federal government could do to turn around the current farm crisis. "I think that the design of the 1996 farm bill [assumed] that we were going to have a true open market and the demand was going to take care of the pricing," Morris said. "As everyone knows, it hasn't worked that way. So, I think there's going to have to be a safety net built in because the next few years could be pretty tough as far as prices go."



Iowa Rep.
Dolores Mertz

Even those who have not fared so poorly under the FAIR Act agree that safety nets should be reinstated in the 2002 version of the bill. Kansas Rep. Dan

Free market vs. supports

The 1996 Federal Agriculture Improvement and Reform Act changed policies that grew out of the Great Depression when the federal government decided that farmers could not earn a livable income in a free market. To even out price levels and to increase farm income overall, Congress began supporting farm prices by paying farmers to reduce planting and buying surplus production. Until 1996, Congress periodically tweaked farm programs and funding levels, but kept to its strategy of intervention.

In 1996, Congress abandoned intervention in favor of a free-market approach. The so-called "Freedom to Farm Act" was intended to let farmers decide what and how much to plant or produce. The act, which is in effect through the 2002 crop year, eliminated supply management and income supports. In addition, global trade agreements also called for an end to the market-distorting policy of price supports and supply management.

While the new farm policy allows producers to reap the rewards of the market, it also exposes them to more risk. Critics say it did not give farmers the tools to respond to this risk. In particular, the act did not create a sufficient "safety net" in times of dramatic price drops.

In the first two years of the FAIR Act, expanding world markets and strong prices led to record-high farm income. However, average prices received by farmers for all farm products fell 5.6 percent in 1998 and 5.9 percent in 1999. The U.S. Department of Agriculture predicts a continued decline in 2000.

Under the old farm policy, farmers received deficiency payments when prices did not reach set targets. Under it, farmers would have received payments in 1998 and 1999,

but not in 1996 and 1997. The 1996 farm bill replaced these deficiency payments with fixed annual "transition" payments that decline over a seven-year period. Since the transition payments decrease over time, farmers received less federal money in 1998 and 1999, when their incomes were falling.

Only record-high government payments to farmers staved off a crisis in farm income. Emergency assistance and budgeted funds, such as transition payments, totaled \$22.7 billion in 1999. The U.S. Department of Agriculture anticipates another emergency aid package will be needed this year.

Some argue that Congress should not change the market-oriented premise of the 1996 farm bill. Others are calling for fundamental policy changes. The Clinton administration does not want to wait until 2002.

The administration said the "collapse in farm prices the past two years revealed serious problems with the farm-income safety net," and its fiscal 2002 budget proposed improvements in income support and risk management.

Congress this year is considering S. 2251 and H.R. 2559, which are intended to increase participation in the crop-insurance program by improving premium rates, accelerating new policy approvals and bolstering the compliance and enforcement programs.

Defenders of the FAIR Act argue that some of its key components were never put in place. Crop-insurance improvements, regulatory and tax reforms, and aggressive trade policies would have eased the impact of the 1998 and 1999 price declines.

— C.J.L.



Iowa Rep.
Ralph Klemme

Johnson cited 1999 as one of his very best years on his ranch but admitted that the farm bill only worked in his state with the augmentation of emergency funds. "I can't tell you off the top of my head how many millions of dollars came from the federal government into the state," he said.

Some argue, however, that those safety nets are only a signal that federal farm policy is not working. "The extra payment at the end of last year boosted farm income but that's not the way it should be," argued Iowa Rep. Ralph Klemme. "It should be that our products move throughout the world and we receive more money for that product."

— Anne McCann is a policy analyst,
CSG Midwestern office

The WEST Improving the bottom line

Like their colleagues across the country, Western officials said low prices are the main problem facing agriculture producers. The challenge for the 2002 farm bill will be making farming profitable again. The West's concerns include fair treatment of minor crops and full funding for environmental policies.

When asked to identify the key issue facing agriculture in Idaho, Rep. Douglas R. Jones, chair of the House Agricultural



Idaho Rep.
Douglas R.
Jones

Affairs Committee, said, "The answer you'll get from everybody — low commodity prices." Idaho grows a variety of minor crops, such as peas, potatoes and sugar beets. "They've almost all been hit by low prices," Jones said.

The FAIR Act has not helped Western farmers in the price crisis. "Most of my people would say [the act] has had a



Westerners say farm policy discriminates against minor crops, such as tomatoes. Photo courtesy of Arizona Department of Agriculture

negative impact," Jones said. "Because there weren't price supports in place, the Asian economic crisis hit our producers hard." Asia and the Pacific Rim are key export markets for Idaho and other states in the Pacific Northwest.

Colorado Sen. Gigi Dennis wants the 2002 farm bill to

Some blame concentration

Economists blame the current agricultural price slump on weak overseas economies and high worldwide production. Some farm groups and policy-makers, however, maintain the trend toward concentration drives down prices.

Agriculture and food production have become increasingly consolidated and industrialized since World War II. Farms are getting larger, processors are becoming fewer and many farmers produce under contract. Once a distinct sector of the economy, agriculture now looks much like other industries.

The USDA estimates that two companies control 42

percent of U.S. corn exports, a third of soybeans sold overseas and at least 20 percent of wheat exports. Four meat packers control 80 percent of the nation's beef, compared with 36 percent two decades ago.

Critics say that large, corporate farms are driving family farms out of business and making the market less competitive in the process.

Others say consolidation is a logical progression in the industry as producers try to reduce costs through economies of scale. To date, the USDA and the U.S. Department of Justice have not found reason for alarm as they monitor the market and enforce antitrust laws.



Colorado Sen.
Gigi Dennis

respond to the dramatic price swings that come with a free market. “Unless agriculture is profitable, we will continue to lose farms and ranches, and our rural communities, which depend upon this industry, will continue to suffer,” Dennis said.

Sheldon Jones, director of the Arizona Department of Agriculture, shares that concern. “The No. 1 priority of farm policy should be creating an infrastructure that ensures profitability for farmers and viability of U.S. agriculture,” he said.

Western officials say the federal farm policy disadvantages their producers because it favors the major crops, such as corn, wheat, soybeans and cotton, over minor crops,



Water remains crucial to Western agriculture. Photo courtesy of Arizona Department of Agriculture

which can be high in value but are not grown widely. “Congress focuses on the major crops but ignores the minor crops, which may be very important in the regions where they’re grown,” Jones of Arizona said.

For example, the 1996 farm bill was supposed to encourage producers to use crop insurance as a replacement for price supports. “But a lot of minor crops aren’t eligible to participate,” Jones of Idaho said. “The 1996 farm bill didn’t give producers any protection, but it also didn’t give them the ability to protect themselves.”

Environmental protection and water are critical issues for Western agriculture. Dennis wants the 2002 farm bill to include adequate funding for conservation measures. “Society should be willing to pay for the conservation practices it demands of agriculture,” Dennis said. “This burden cannot rest entirely on the backs of farmers.”

“[Conservation programs] can be a supply-management tool to increase competitiveness, not just address environmental issues,” Jones of Arizona said. He wants increased funding for the Conservation Reserve Program and similar



Jim Jesernig,
director,
Washington
state
Department of
Agriculture

approaches that pay farmers to set aside environmentally sensitive land. By taking low-yield, high-cost acres out of production through these programs, farmers can reduce their costs.

Jim Jesernig, director of the Washington state Department of Agriculture, supports the conservation elements of the 1996 farm bill because they try to balance economic and environmental concerns. “The Conservation Reserve Program gives landowners a reason to participate,” Jesernig said. He encourages more such voluntary, incentive-based programs rather than regulatory approaches to achieving environmental goals.

“Water is the issue in Western states,” Jesernig said. Agriculture competes against growing urban populations and environmental protection goals for the region’s limited water supply. Federal legislation on water, particularly the Endangered Species Act and Clean Water Act, exacerbate the tension. The farm bill can encourage more flexible approaches to complying with these laws, Jesernig said.

— Cindy J. Lackey is a senior policy analyst,
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Sheldon Jones,
director,
Arizona
Department of
Agriculture

CSG resources

The CSG Agricultural Policy Task Force, composed of legislators, agriculture commissioners and CSG Associates, represents state government on national agriculture issues.

The Eastern Regional Conference coordinates the Northeastern States Association for Agriculture Stewardship, an organization of the legislators and agriculture commissioners that promotes the region’s agricultural interests.

The Midwestern Legislative Conference’s Agriculture Committee provides a vehicle for addressing agricultural issues that impact the Midwest, including international trade regulations, commodity prices, water quality and food safety.

The Southern Legislative Conference’s Agriculture and Rural Development Committee works on issues important to Southern agriculture and cooperates with public and private agencies, local and federal officials, and the land grant university system to assure the continued vitality of the region’s farm and rural communities.

For CSG and regional publications on agriculture, visit www.csq.org and the CSG regional Web sites.