

MGC, other groups address priorities for next farm bill

by *Tim Anderson*

Much has changed in U.S. agriculture since passage of the 1996 federal farm bill. New trade agreements, slumping economies in key global markets, an exceptionally strong U.S. dollar, rising production costs and low commodity prices are just a few of the factors that have greatly impacted life in rural America.

Now, the U.S. Congress faces a critical question: How should the new federal farm bill be crafted to best respond to the changes that have caused economic hardships for many of the nation's farmers?

In a 28-page report recently delivered to President George Bush and U.S. senators and representatives, the Midwestern Governors' Conference lays out what it believes should be the federal government's answer to the challenges facing American agriculture.

"Over a 10-month period, the MGC Agriculture Policy Task Force worked through five drafts and many refinements of these policy objectives and recommendations," says Iowa Democratic Gov. Tom Vilsack, chair of the MGC.

"Although there were some disagreements along the way, this publication summarizes the areas where we reached consensus as the Midwestern governors, representing the largest agricultural area in the nation."

The report addresses many individual issues, such as dairy policy, agribusiness consolidation and concentration, trade promotion authority and trade with China. It fittingly begins by tackling two of the most discussed public policies related to the farm bill: a safety net for farmers and enhancements to voluntary conservation incentive programs.

Along with being seen by many groups as areas where the federal government can do the most good, those issues are two of the main components of a farm bill passed in July by the U.S. House Agriculture Committee.

Safety net and conservation

Providing financial support for farmers has been a part of agricultural policy from the beginning of this country's history. Since the early part of the 20th century, that help has focused on income support programs. The 1996 farm bill (the Federal Agriculture Improvement and Reform Act) marked the culmination of a move in policy direction away from production controls and price supports and toward more

planting flexibility and market-driven decisions by farmers. In recent years, though, market prices have fallen to disturbingly low levels. Congress has had to respond by providing yearly emergency assistance payments needed to keep many farmers in business.

While seeking a continuation of policy geared toward planting flexibility, the MGC recommends that the federal government improve the safety net by introducing an automatic counter-cyclical payment. The House Agriculture Committee's proposed farm bill does include such a payment structure that would be implemented when a crop's price falls below its target level. The plan also would retain fixed-decoupled payments and the marketing loan program. In addition, producers would have the option to update their base acreage.

Some groups, although supportive of the idea of counter-cyclical payments, have expressed concerns that the effect of the committee's proposal will be to direct money to large producers rather than small farmers.

"The House proposal would enshrine existing payment limitation loopholes and add a new one by creating an entirely separate payment limitation for new payments," claims Chuck Hasselbrook, program director at the Center for Rural Affairs, a nonprofit research and advocacy group. "Large producers could divide their payment among eight different limits to avoid being affected by any one of them."

The National Association of State Departments of Agriculture (NASDA) has called on Congress to pass a counter-cyclical payment structure based more on production costs, rather than on historical yields and plantings.

Dissenting opinions like these will become more and more vociferous as discussion on the farm bill moves in both the House and Senate and eventually makes its way to President Bush.

An issue where more consensus seems possible is in the area of conservation. Existing federal

programs have provided significant financial incentives to farmers and are viewed as valuable initiatives by many environmentalists.

"We need to think of private lands conservation in terms of rural economic development," Vilsack says.

"Landowners cannot be expected to shoulder the full cost of implementing conservation practices or taking land out of production without compensation."

The MGC's recommendations call for flexible, state-driven environmental programs supported by the federal government in the form of block grants or cooperative agreements. Roger Johnson, North Dakota agriculture commissioner, believes more state control is vital to a successful federal conservation program.

"There are very different needs in the different states, and an incentives program needs to reflect that," adds Johnson, chair of NASDA's Rural Development and Financial Security Committee. "In many of the western states, the principal issue is grazing and endangered species. In the cattle-producing states, the top priority may be environmental rules regarding feedlots and concentrated animal feeding operations. In other states, the top conservation issue may be the desire to reduce fertilizer use or to eliminate certain tillage practices from a watershed.

"So if you give these dollars back to the states and say, 'Use this to solve your most pressing conservation or environmental need,' then you're getting better bang for the federal dollar."

Taking land out of production also has the potential of improving prices, but without similar practices being employed by U.S. trade partners, the result may be to reduce American producers' share of the global agricultural market.

Trade is another significant issue addressed in the MGC report, which calls on trade negotiators to take an aggressive role in reducing policies that limit access for U.S. agricultural commodities into foreign markets. Other public policies highlighted in the report include improvements to the transportation infrastructure, rural development, research and development, risk management and biotechnology.

The full report can be viewed on the MGC's Web site at www.midwestgovernors.org.

Big business	
The following chart indicates the percentage of jobs in each state that were related to agriculture in 1997.	
State	% of farm-related jobs
Illinois	13.6%
Indiana	14.8%
Iowa	22.2%
Kansas	18.3%
Michigan	12.9%
Minnesota	15.5%
Nebraska	21.8%
North Dakota	23.5%
Ohio	13.7%
South Dakota	22.3%
Wisconsin	17.4%

Sources: U.S. Department of Agriculture, Economic Research Service; U.S. Census Bureau

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*Gov. Tom Vilsack
Iowa*