Stateline Midwest

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Robert E. Young II, co-director of the Food and Agricultural Policy Research Institute at the University of Missouri, addresses attendees of this year's Midwestern Legislative Conference Annual Meeting in Fargo, N.D. His Aug. 20 presentation focused on the impact that the 2002 farm bill will have on Midwestern states and their agricultural producers. His speech was followed by breakout sessions on three other agriculture-related topics: biotechnology, value-added agriculture and food safety.

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Voters in several Midwestern states will consider key ballot initiatives in November

Where's the pork?

Expert tells MLC that perceptions of new farm bill don't match reality

by Jeff Greco

When President Bush signed the 2002 farm bill reauthorization, editorialists and commentators derided the federal legislation as a massive giveaway to U.S. farmers. Critics charged that not only did the agriculture industry not need the level of subsidies provided, the nation could not afford them. But state lawmakers who attended the recent Midwestern Legislative Conference Annual Meeting in Fargo, N.D., heard a very different perspective: conventional wisdom overstates the impact of the bill, even as it understates the precarious condition of U.S. agriculture in today's economy.

Robert E. Young II, co-director of the Food and Agricultural Policy Research Institute at the University of Missouri, told MLC attendees Aug. 20 that despite public perceptions, 2002 farm bill spending is in line with previous federal agriculture expenditures.

"We're not talking about a lot of extra money, but people think we are, and those perceptions are important," said Young, whose organization provided analysis to members of the U.S. Congress as they worked for more than a year on the farm bill. "We can't let producers think that there's a lot more money involved here."

He also notes that while some provisions of the bill depart from the letter and intent of the previous reauthorization, in 1996, this year's law overwhelmingly reflects policies and philosophies that U.S. agriculture budgets have followed throughout the postwar era. And with below-average production over the last several years — to say nothing of current drought conditions — the struggling agriculture industry may need not only the new funds enshrined in the farm bill, but supplementary spending as well.

Young's hour-long speech kicked off an entire morning at the MLC Annual Meeting devoted to agriculture-related issues. The federal farm bill is particularly important to this region, where agriculture shapes the economies of many states.

State lawmakers interested in helping agricultural producers in their districts look to the federal law for direction on everything from commodity price trends to crop subsidy levels. When federal legislation fails to address critical needs, state economies suffer and legislatures are sometimes forced to find solutions on their own. For those reasons, state lawmakers paid close attention to the analysis provided by Young.

Funding demands

Unlike in 1996, when the agriculture industry was enjoying prosperous times and legislative leadership in Washington, D.C., was united on agriculture policy, conditions in 2002 were far less settled. Key congressional races in farm states were already focused squarely on agriculture issues, leaving legislators much less room for negotiation. Divided government delayed consideration of the bill and added new policy priorities to discussions. And the continuing challenges of low commodity prices and rising production costs spurred considerable public interest in the reauthorization process.

The result, Young said in his MLC presentation, is a bill that locks in the large spending increases Congress has authorized over the past several years in supplemental or emergency relief. But the general public and even producers are instead comparing the bill's price tag to that of the slimmed-down 1996 legislation, despite the fact that federal assistance has not remained at those levels for at least the last four years.

He told lawmakers that they must make their constituents aware of the bill's realities. Dashed expectations could lead to planning errors and demands for even more federal intervention. At the same time, Young believes, a better-informed

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Critics question conservation, subsidy portions of farm bill

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public might support the new funding scheme as a sensible alternative to the constant need for emergency appropriations that have taken up so much of Congress' time the past few years.

Even though the new authorization was designed to eliminate the need for them, emergency agriculture appropriations will still be sought at the federal level. As MLC participants pointed out during the session, parts of the Midwest are struggling under a severe drought, and political pressure on legislators to act is growing.

"Can we come back on the heels of so much additional assistance and ask for another $4 billion to $6 billion in disaster assistance?" Young asked. "There is a legislative proposal to that effect on the table right now, and it will be taken up when Congress returns in the fall. History says they will eventually pass it."

However, budgetary pressures, along with complaints about the amount of funding already allocated in the 2002 bill, could lead to significant resistance. As a result, future emergency appropriations could be harder to procure, a fact that would have significant consequences for Midwestern states that rely heavily on the agricultural economy and have a large population of farmers.

While the farm bill's total price tag is high — new commodity spending alone will top $5 billion annually, and further spending cannot be discounted — the structure of the payment system is not radically different from current and previous federal models.

Payments to producers for selected crops (in millions)

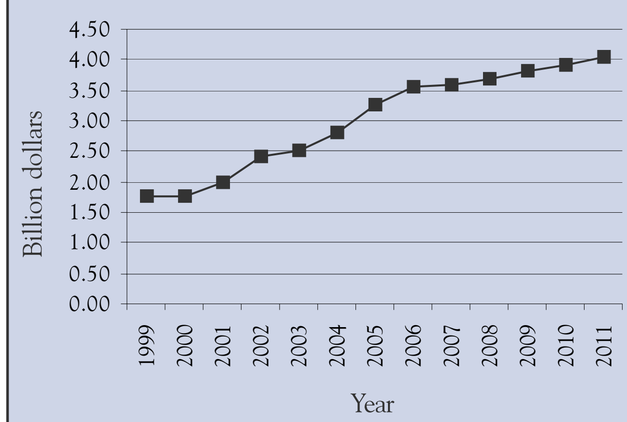
Estimates of state-level payments from the 2002 farm bill include only payments under programs for feed grains, wheat, rice, oilseeds and upland cotton. They do not include payments for other crops or the dairy and conservation programs. Payments are reported on a crop-year basis, which sometimes do not fit in a single calendar year.

State	1998-2000 average	2002/2003	2005/2006
Illinois	$1,551	$1,618	$1,392
Indiana	$750	$806	$692
Iowa	$1,723	$1,687	$1,462
Kansas	$1,053	$899	$830
Michigan	$297	$277	$243
Minnesota	$1,139	$1,108	$956
Nebraska	$1,160	$1,083	$974
North Dakota	$732	$613	$547
Ohio	$535	$569	$484
South Dakota	$583	$582	$501
Wisconsin	$351	$331	$300
United States	$16,772.8	$18,042.0	$15,864.3

Source: Food and Agricultural Policy Research Institute

"Nothing in the bill changes the planting flexibility afforded by the '96 bill," said Young, adding that the total acreage under cultivation is unlikely to shift radically despite the extra incentives offered. (Young estimates that about 2 million more acres than in 1996 will be in use.) The income guarantees to producers will substitute government payments for market revenues, but the overall impact of the new system is not likely to substantially shift the focus of U.S. agriculture.

Conservation spending increases in 2002 farm bill



Source: Food and Agricultural Policy Institute

More money for conservation

Perhaps the most significant change — and one that Young focused on heavily in his presentation — is the dramatic increase in conservation spending. While commodity subsidies once accounted for nearly all agriculture spending, the 2002 reauthorization allocates just 66 percent to commodities; the lion's share of the rest (about $17 billion, or 20 percent of total funding) will fund conservation programs designed to improve the nation's rural environment.

"No matter how you look at other aspects of the bill, there's no doubt that there's a lot more money going to conservation than ever before," Young said. Conservation program expenditures will double in the next 10 years, and the conservation title's broad-based focus will impact everything from wetland reserves and farmland conservation, to livestock and crop operations.

Not everyone fully agrees with the new emphasis on conservation. Iowa Sen. Jack Kibbie, an Emmetsburg Democrat and co-chair of the MLC Agriculture Committee, notes that budgets are always zero-sum games: devoting funds to conservation efforts takes money away from the subsidization of commodities.

"Profit margins are so narrow and competition is so tight that farmers are deciding to call it quits," he says. "Commodity subsidies are a necessary help [in keeping farmers motivated.]"

Others believe that conservation funds will have only a marginal impact on rural ecosystems, and they say bureaucratic complications will inevitably accompany the bill's new conservation title.

Other critics focus on the inequitable distribution of subsidies in the new farm bill. While there are income caps on eligibility for participation in farm programs, Young notes that the relatively high limits ($2.5 million in adjusted gross income) and a variety of loopholes will funnel most subsidies to the top producers; struggling family farmers may see little relief from the bill. Young told lawmakers that the bill does establish a new commission to study the issue of farm program payment limitations, but payouts over the next several years will benefit large-scale producers.

"The bill subsidizes U.S. agriculture at the expense of both the rest of the world and many of the United States' own farmers, who won't get much from the government," argues Jack Hillson, a member of the Saskatchewan Legislative Assembly.

South Dakota Rep. Frank Kloucek, a Scotland Democrat, echoed this sentiment, arguing that the bill "encourages large-scale agriculture at the expense of family farmers."

Changing economic times

Young discussed several other common concerns about the bill. The disjointed process, he said, resulted in a bill that made sense when the country was enjoying the prospects of a $350 billion budget surplus; subsidy levels might seem incautious now that the country is running a large deficit.

Compliance with international trade agreements is another problem. According to Young, there is at least a 30 percent chance that government payouts will exceed World Trade Organization caps, and U.S. trading partners have condemned the legislation as unfairly protectionist.

But overall, the bill reflects the needs and concerns of farmers at an uncertain juncture in U.S. agriculture, Young believes. FAPRI is projecting a $6 billion to $7 billion decline in net farm income for 2002 as a result of lower prices, weather conditions and larger-than-expected supplies of some commodities.

The vulnerabilities of the U.S. agricultural economy, combined with the political imperative of approaching farm spending with more than Band-Aid solutions, gave legislators little choice but to create a stronger safety net for farmers. While Young is not particularly optimistic that the bill will eliminate the supplementary spending decisions of the past, it will at least reduce the need for them and might thereby provide a more effective framework for U.S. farm policy.