The 2002 Farm Bill

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Imagine a medicine intended to palliate the symptoms of a widespread malady, but which fails to address the causes of the problem and to provide relief to the most afflicted areas, and whose side effects largely prove worse than the ailment itself. The agricultural commodity payments portion of the 2002 farm bill may fit such a description. The Farm Security and Rural Investment Act of 2002 is the largest farm bill in U.S. history, as it will cost taxpayers at least $248.6 billion over six years (Mittal 1). The bill—which deals with food stamps, agricultural research, and environmental conservation, in addition to crop subsidies, and which covers more than one billion acres of land that comprises over half of the continental United States ("The 2002" 13)—was passed by Congress after 14 months of hearings and debates and signed by George W. Bush on May 13, 2002, despite his initial opposition to it the year before (Mittal 1). Under the 2002 bill, $189 billion will be distributed over ten years for crop supports (Lochhead), which is $83 billion more than past programs would have cost (Mittal 1). The agricultural subsidies portion of the 2002 farm bill contains a few minor provisions that are beneficial, but most will prove unhelpful or even harmful to small farmers, both domestic and foreign.

Since agricultural subsidies began in the 1930's, approximately $500 billion have been given out (Thurow and Kilman). The 2002 farm bill provides farmers with direct payments, countercyclical payments, and marketing loans (Mittal 1). Direct payments are a fixed, guaranteed subsidy for growing a certain type of crop. If market prices fall below a set price, countercyclical payments are provided to alleviate the shortfall (Mittal 1); marketing loans also serve to palliate low prices (Falda). In 1980, a mere four percent of a farmer's income was from government support; by 2000, that amount had grown to 40 percent ("The 2002" 13). In that year, average payments to farmers totaled $20,800 (Vieth). Unlike the 1996 Freedom to Farm Act, which attempted to reduce government commodity payments for crops ("The 2002" 13), the 2002 farm bill will enlarge crop support subsidies by 80 percent over the intended amounts of the 1996 Act (Pierri). Because of the trade obligations of the U.S. as a member of the World Trade Organization (WTO), Congress hoped to slowly reduce the dependence of farmers upon government payments with the Freedom to Farm Act (Mittal 1). However, low crop prices forced farmers to overproduce, thereby further driving down prices and compelling the government to intervene with emergency relief subvention that resulted in the highest farm payments ever ("The 2002" 13). Therefore the actual payments from 1998 to 2001 were higher than those anticipated; the expected annual subsidies in the 2002 bill, while higher than the intended payments established in 1996, will be less than the actual amounts allocated for relief in the last four years (Guebert). The 2002 farm bill augments support for corn, rice, wheat, and cotton by two-thirds (Allen, "Bush Gets"), reinstates payments to farmers for honey, mohair, and wool, and for the first time subsidizes milk, peanuts, chickpeas, and lentils (Pierri).

Like a medicine that, once taken, requires greater and greater doses, the current farm bill policy necessitates the continued allocation of larger subsidies. The guarantee of countercyclical payments eliminates any reason for farmers to limit their crop production, because they will receive the same amount of payment regardless of the price of the commodities. The resulting overproduction further depresses prices, necessitating even greater subsidies to compensate for it. A former government official and co-chair of the European-American Business Council, Stuart Eizenstat, described the policy as "a Catch-22. Because the bill is countercyclical, as prices decline you get more subsidies to try to make up for it, and you just keep the vicious cycle going" (Eizenstat qtd. in Vieth). Even Secretary of Agriculture Ann M. Veneman cautioned in the fall of 2001 that the farm bill would cause overproduction, which "creates pressure for more government payments, thereby creating a self-defeating and ultimately unsustainable cycle" (Veneman qtd. in Allen, "Bush Signs"). This may be one reason that Representative Ed Royce (R-CA) feels that "In the long term, our economy and farm sector will be better off if we phase out these subsidies" (Royce qtd. in Archibald, "Down").

Another troubling aspect of the 2002 farm bill is the absence of a mechanism to aid farmers who are faced with poor yields. In a year with a drought or other unfortunate weather conditions, overall farm yields are reduced. This causes prices to rise, leading countercyclical payments to decrease as well. With only the benefit of higher prices, farmers experiencing lower yields lose revenue. Purdue University economist Allan Gray estimates that farmers experiencing a 20 percent loss in yields could see a 7 percent decline in income. Gray explained that when both yields and subsidies decline and only prices increase, "You have two negatives and one positive and there is no way that one positive is going to offset two negatives. You end up with lower revenues" (Gray qtd. in Falda). While many farmers struggle through poor weather, a fortuitous few produce bountiful yields and thus enjoy large profits (Falda).

The medication of the 2002 farm bill, like its predecessors, does little to relieve the symptoms of low income for the majority of small farms and instead furnishes the greatest relief to areas least affected by that affliction, namely large-scale farms. The poorest eighty percent of American farms receive only one-sixth of the total agricultural subsidy payments, while the richest ten percent obtain two-thirds of them (Archibald, “Wealthy”). Farm households with average annual income levels above $135,000 are the recipients of 47 percent of commodity payments (Kristof). 150,000 farmers will claim eighty percent of the farm commodity subvention (Lochhead). In Arizona, cotton farms that sell over $500,000 worth of products receive 83 percent of the state’s cotton subsidies (Moore). In the last five years, 32,600 Texas farms received $6.6 billion, while the other 181,000 farms in Texas collectively obtained only $1.1 billion (Lindell). From 1996 to 2000 in New York, an average of $114,499 was allocated for the upper 10 percent of farms receiving subsidies, while the average payments to all farms receiving subsidies was $19,557 (“The 2002” 13). $1.8 billion, almost 67 percent of the California’s crop payments, went to less than 3,500 farms. Of the twenty California farms that collected the most subsidies, eleven were rice farms and seven were cotton farms, and they averaged $596,000 annually. In Firebaugh, which is on the western side of Fresno, California, a mere 203 farmers received $58 million in crop supports since 1996 (Arax and Bailey). Ken Cook, president of the Environmental Working Group (EWG), explained that “There are thousands of subsidy recipients who clearly don’t meet the taxpayer’s image of the family farm. It’s a pretty significant departure from what the program was intended to do” (Cook qtd. in Archibald, “Wealthy”). The President of the Heritage Foundation, Edwin J. Feulner, rhetorically questioned the inequity of the situation: “Why should multimillionaire hobby farmers and large, well-heeled corporations get lavish federal handouts while most family farmers get nothing but a tax bill?” (Feulner qtd. in Archibald, “Wealthy”). The current level of the gross income of farms that cannot be exceeded in order for them to be eligible for government support is very high, at $2.5 million (“Rich”). The 2002 farm bill reduced the total amount of payments an individual farm can obtain from $460,000 to $360,000, but that amount is still substantial (Allen, “Bush

Signs"). Further, many large farms evade this moderate cap with loopholes that allow for even greater subsidies (Mittal 2).

Large farms are not the only recipients of taxpayer funds. From 1996 to 2001, payments were allocated to 44 state universities, 14 prison systems, and 413 city and town governments, according to a six-year investigation by the Washington Times (Archibald, "Down"). Even the founder of CNN, Ted Turner, as well as ABC's Sam Donaldson and fourteen members of the 107th Congress are beneficiaries of the bill. Many of these recipients are able to collect subsidies because they own land that was once used to produce crops, whether or not that is still the case (Archibald, "Wealthy). Except for conservation or disaster aid, the lowest 80 percent of farmers nationwide received an average of $5,830 from 1996 to 2000, at the same time that several Fortune 500 companies collected tens or hundreds of thousands of dollars. International Paper was the recipient of $375,393, Westvaco Corp., $286,740, Chevron, $260,223, DuPont, $188,732, Caterpillar, $171,698, John Hancock Mutual Life Insurance, $125,975, Georgia Pacific, $37,156, Archer Daniels Midland, $36,305, Mead Corp., $15,115, Deere and Company, $12,875, and Boise Cascade Corporation, $11,024, while Pfizer, Navistar, Kimberly-Clark, Eli Lilly Co., and RJ Reynolds Tobacco Co. also collected subsidies ("Farm Subsidy"). State prisons in Alabama received $567,147, while 31 cities in Missouri collected $508,860, and 17 cities and towns in Oklahoma gained $491,086. The Walla Walla Regional Airport in Washington State was given $67,222, and the Nebraska State Historical Society acquired $31,919. According to EWG, the city of St. Louis from 1996 to 2001 was the recipient of a $84,536 corn payment because land in its possession that was intended for flood control was being used by a tenant farmer to cultivate corn. Several agricultural universities obtain farm bill payments, both from programs for agriculture and unrelated foundations. In six years, the University of Arizona, Texas Tech University, and Iowa State University each received $1.2 million, while the Texas School for the Blind collected $14,309 and the Texas Tech Medical Foundation was paid $5,454. During the same period of liberal payments to several institutions and wealthy individuals, the government refused support for tens of thousands of small farmers and ranchers who had applied for aid. EWG's Ken Cook explained that "What this program is about is not helping working farmers. It ends up having taxpayers give money to people who own the right land" (Cook qtd. in Archibald, "Down").

While the majority of federal subsidies are allocated to wealthy farms, many farmers do not receive any support at all. Most USDA subsidies are for only eight "program crops": corn, cotton, rice, wheat, soybeans, sorghum, barley, and oats (Lindell). Only thirty percent of U.S. farmland is used to grow subsidized crops ("Frequently"), and a mere forty percent of American farmers collect commodity payments (Archibald, "Down"). More than seventy percent of subsidies end up in only twelve states ("Frequently"). Of California's 74,000 farms, nine percent have obtained subsidies since 1996, as many of the state's farms produce specialty crops, including peaches, grapes, strawberries, walnuts, plums, nectarines, almonds, and vegetables, which are not subsidized (Arax and Bailey). Three-fifths of the farms in Texas, likewise, do not qualify for crop support payments (Lindell).

The 2002 farm bill not only fails to help many American family farmers but has detrimental side effects on small farmers in poor nations worldwide. Seventeen percent of the entire economic activity of 48 countries in sub-Saharan Africa is farming (Vieth). Half of the gross domestic product of the poorest countries may be derived from agriculture, according to estimations by Thomas Beierle of Resources for the Future (Lochhead). Farm subsidies in richer countries generate crop overproduction and severely depress prices, sometimes to the extent that the price is lower than the production cost (Mittal 3). For example, an acre of California rice is worth $650 on the world market but requires $700 to $800 to grow (Arax and Bailey). With extreme surpluses, the U.S. exports one-third of its crops, and foreign sales account for a quarter of U.S. farm revenue (Becker). Out of the total amount produced, 42 percent of American rice is exported, as are 35 percent of soybeans, 45 percent of cotton, 46 percent of sorghum, and 53 percent of wheat ("Frequently"). When these commodities are sold at or below the cost of production to Third-world nations, local farmers cannot compete, and may sometimes be forced out of business (Mittal 3). U.S. corn is exported at prices twenty percent below the cost of production, while wheat is 46 percent below (Cassel). Wielding the World Bank, International Monetary Fund (IMF), and international trade agreements, the U.S. coerces poor countries to accept American crops, reduce tariffs, and eliminate their agricultural subsidies, which allows the U.S. to dump crops onto those nations (Mittal 3). Most export products, if sold at or below the cost of production, violate anti-dumping laws, but agricultural products avoid these limitations (Vieth).

Dumping of American crop surpluses has resulted in harmful impacts worldwide. In Mexico, eighty percent of the poorest people reside in rural areas, and more than two million survive as corn farmers. Dumping of American corn has rendered many Mexican corn farmers unable to sell their crops (Mittal 3). Likewise, Australia may lose markets in Asia that will be filled by American produce. Because U.S. subsidized agricultural commodities have lowered world prices and reduced the market for many of Brazil's export crops, that country predicts it will lose $9.6 billion over the next four years. Hugo Manni Ríos, vice-president of the

Uruguayan Association of Rice Growers, fears that the U.S. farm bill will compel Brazil to concentrate less on cultivation of cotton and soybeans and instead focus on growing rice. This would create competition with rice production in Uruguay and then a "vicious circle that will produce a disaster" (Ríos, qtd. in Pierri). The director of Iowa State University's Center for International Agricultural Finance, Niel Harl, described the international situation that the farm bill generates: "Commodity prices will probably sink lower on a global basis. For countries that do not subsidize their farmers as well as we do, that will mean economic and financial trauma. We're making decisions here in the U.S. that affect the entire world, yet the rest of the world doesn't have much say in what our policy is" (Harl, qtd. in Vieth).

One of the more dramatic examples of the harmful impact of farm subsidies may be observed with cotton. While other industrialized nations allocate over $3 billion for cotton each year, the U.S. alone spends $2 billion annually on this crop, and 2001 cotton spending resulted in the highest domestic cotton production since 1926. Even greater cotton subsidies are contained within the 2002 bill (Lochhead). The 25,000 American cotton producers derive half of their income from subsidies, and the average net incomes of cotton farming families, which includes revenue separate from farming, is $800,000 per year, according to the USDA (Thurow and Kilman). Subsidies in rich nations, coupled with a recent decrease in cotton demand (Vieth), may have been factors in the decline in cotton prices by two-thirds since 1995 to $.40 per pound, the lowest in approximately thirty years. The 9.74 billion pounds of American cotton cultivated in 2001 depressed worldwide cotton prices to near or below the cost of production for most poor farmers. Subsidies in the U.S., the world's primary cotton producer, prove detrimental to farmers in poorer areas, especially Africa, which is the third largest producer of this fiber crop. In west and central Africa, two million families cultivate cotton, and although most of it is picked by hand, it is the same quality as U.S. cotton. In Mali alone, one of the ten least developed countries in the world, three million of the eleven million citizens rely on cotton for survival, and nearly 50 percent of the nation's export revenue is provided by cotton sales. While some U.S. cotton farmers enjoyed at least a 16 percent increase in income from cotton payments, farmers in Mali experienced a 10 percent reduction in cotton revenue in 2002 (Thurow and Kilman). In Burkina Faso, a nation largely dependent on cotton production, two million people make less than $1 per day. A World Bank/IMF study predicted that if subsidies in rich nations were eliminated, the resulting increase in cotton prices could reduce poverty in Burkina Faso by half in six years (Lochhead). A February 2002 World Bank study estimates that the elimination of U.S. cotton subsidies would augment the income of western and central African nations by $250 million annually (Thurow and Kilman). The president of the Institute for Agriculture and Trade Policy, Mark Ritchie, summarized these impacts by explicating that the 2002 "farm bill, I think it's fair to say, will put millions of small farmers out of business in Africa. They will have to move to cities and become part of unemployed labor pools" (Ritchie qtd. in Vieth).

The U.S. is not alone in imposing low crop prices on poor nations. European farmers derive around 40 percent of their revenue from government payments, while the proportion in Japan is 63 percent (Cassel). According to studies by the World Bank, the U.S., Japan, and Europe collectively allocate $350 billion for agricultural crop payments, an amount equivalent to the gross domestic product of all of sub-Saharan Africa. U.S. foreign aid to poor countries is about $10 billion annually, compared with roughly $18 billion directed to farm subsidies (Lochhead). The leader of the UN Development Program, Malloch Brown, has calculated that agricultural subsidies in the U.S. result in a yearly loss of crop exports worth $50 billion for poor countries; this is approximately the level of foreign aid provided annually by developed nations

(Kristof). While the U.S. farm bill is not fully responsible for this, the perpetuation of American crop subsidies reduces pressure on other industrialized countries to eliminate their crop support payments (Lochhead).

The 2002 farm bill has not been a solution to the decline of family farms. To the contrary, it has accelerated that process by allocating the bulk of agricultural subsidies to the largest corporate farms or to private individuals and institutions. It also does not apply to the majority of farms, fails to protect farmers who suffer from low yields, and necessitates greater amounts of future subsidies. Moreover, current American farm policy is partially responsible for the continued poverty endured by many Third-world farmers.

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[1] Note: For some of the citations in this paper, the source material was actually an author whose work was merely summarized by the cited document. That is, not all citations have been traced all the way back.

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