

The Farm Bill and Public Health: An Overview

Institute for Agriculture and Trade Policy

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For the past 75 years, ever since the New Deal programs of the Roosevelt Administration, federal policymakers have taken an active role in agriculture. Every five to seven years, agricultural policies are evaluated and re-authorized through the federal Farm Bill. The last bill was passed in 2002, and the next one is expected this year (2007). The larger public is discovering that policies in the Farm Bill affect not only farmers but also rural communities, the environment, health, hunger and even immigration. Literally everyone has a stake in the 2007 Farm Bill.

Public health organizations are playing an increasingly important role in the crafting of agricultural policy. For obvious reasons, their primary focus has been on the nutrition programs, such as food stamps and child nutrition. But agricultural policy's impact on public health goes far beyond these nutrition programs—from food access to the prices of particular types of foods. The Farm Bill provides the policy platform that influences the decisions of life science companies and their investments in particular crops; farmers and their cropping systems; food companies and their production and marketing decisions; and consumers and their consumption decisions.

This paper provides background on the Farm Bill, as well as a summary of key issues and interest group priorities that will influence Farm Bill debates. Public health professionals can best support a healthier food system by not only championing the nutrition programs, but also collaborating with other organizations to shift the overall direction of farm policy toward a healthier and more sustainable food and farming system.

Farm Bill Basics

The U.S. Congress writes the Farm Bill, with significant input from the Administration, particularly the U.S. Department of Agriculture and the Office of Management and Budget. While criticized often by budget hawks, the Farm Bill actually makes up less than one percent of the federal budget. The 2002 Farm Bill, known as the **Farm Security and Rural Investment Act of 2002**, is more than 420 pages long and contains ten separate titles (see box).

The purview of the Farm Bill has expanded greatly over the years, but its core continues to be the commodity programs. The structure of the commodity programs has a ripple effect on nearly every other Farm Bill program: from providing a safety net for family farmers, to promoting or discouraging local food systems, to impacts on the environment, energy, public health and trade. Specifically, the commodity programs determine which crops the government will or will not regulate, which will be supported through subsidies, and how production, inventories and prices of those crops will or will not be publicly managed.

Farmers participating in commodity programs receive subsidy payments determined by a complicated formula including base acreage, marketing assistance loans, loan deficiency payments, decoupled payments, and countercyclical payments.¹ Programs like loan deficiency payments and countercyclical payments are tied to actual market prices for each commodity, and are designed to increase during times of low prices and decrease during times of high prices. In other words, the higher the market price, the less government payment farmers receive. This means that when prices fall, government subsidies can skyrocket, as they did in 2005 (\$24.3 billion); when market prices rise they can decrease substantially, as they did in 2006 (\$16.5 billion).² The recent increase in corn prices is helping to raise prices in nearly all major commodity crops. This increase in commodity prices, combined with decreasing subsidies, will influence policymakers in writing the 2007 Farm Bill.

While U.S. commodity programs cover 20 different crops, eight major crops – corn, soybeans, wheat, grain sorghum, barely, oat, cotton, and rice – account for 74 percent of total cropland in the U.S. These same primary program crops receive 70-80 percent of all government payments.³

The 2002 Farm Bill

- **Title I – Commodities:** Payment and loan programs for 20 farm commodities.
- **Title II – Conservation:** Conservation programs, wetlands protection, grasslands protection, farmland protection, and incentives for farmers to improve environmental stewardship
- **Title III – Agricultural Trade and Aid:** Food aid and meeting World Trade Organization obligations.
- **Title IV – Nutrition:** Food stamps, child nutrition, and supplemental food.
- **Title V - Farm Credit:** Farm ownership loans and emergency credit.
- **Title VI - Rural Development:** Grants for rural businesses and small communities, expanding rural broadband access.
- **Title VII – Research:** Agricultural extension services, research on all areas of food production including biotechnology and organic production.
- **Title VIII – Forestry:** Funding for various U.S. forest service projects including community forestry.
- **Title IX – Energy:** Funding for bioenergy projects and research as well as federal procurement for biobased products.
- **Title X – Miscellaneous:** Includes crop insurance, disaster assistance, animal welfare and inspections, and country-of-origin labeling.

How Farm Policy Evolved to Its Present State

Henry Wallace, Secretary of Agriculture under President Franklin Roosevelt and a true visionary, understood how extreme price fluctuations vexed farmers and kept agricultural markets from functioning properly. He realized that to mitigate the low prices that left farmers reeling during the Great Depression he needed to provide incentives for farmers to curtail overproduction, and also manage commodity inventories. Since grains and oilseeds store well, part of the harvest can be taken off the market and put into a reserve when prices are too low. Then, when prices recover, these crops can be sold for a profit. By utilizing this simple concept of buying low and selling high, the government-operated storage facilities that Wallace instituted actually made money for taxpayers, while smoothing out the price fluctuations that hurt both farmers and consumers. A farmer-owned reserve was also created, providing farmers with more flexibility over the timing of when they sold their crops, as well as an efficient, inexpensive self-insurance program.

Wallace's agricultural policies provided the framework for some of the most prosperous and stable decades in U.S. agriculture. Throughout the second half of the twentieth century, however, the agribusiness sector began to chip away at Wallace's policies. This sector had a vested interest in keeping commodity prices low and unstable and therefore preferred the chronic overproduction and oversupply of commodities to any sort of supply management.

The last pillars of Wallace's legacy were finally eviscerated in the 1996 Farm Bill. Today, the principle commodities in the Midwest – corn, soybeans, and wheat – usually cost farmers more to produce than the prices they receive from the marketplace. And instead of addressing the tendency to overproduce and other market distortions inherent in agriculture, the government simply spends billions of dollars to make up some of the difference between what the market will pay and what farmers need to remain economically viable.

(Two farm programs do continue to manage supply and thereby support a price floor in the marketplace – the sugar and dairy programs. Although they work differently, both are based on correcting for inherent failures in agricultural markets.)

No Simple Solutions

Henry Wallace's New Deal farm policy platform solved the most vexing problems of agricultural markets and lasted for two decades. But as Wallace's platform was gradually dismantled, we returned to what the late economist John Kenneth Galbraith called "the farm problem." Galbraith described the challenge this way:

"Industrial corporations and those engaged in technology, entertainment, and most else have control of their production and, in substantial measure, their prices. Those who depend on a farm for their living, however, have no control over production. There are far too many producers providing the same thing, which eliminates any possibility of control of prices. This is the enduring nature of what is called 'the farm problem'...Now we have a new farm problem, especially for small ones, as they are called and celebrated, family farmers. In fact, the problem is not new, and the solution – to go back to what we had before – is not either. It's as simple as that."⁴

A recent example illustrates this point. In January 2007, the three major meat packers, Tyson Foods, Cargill Meat Solutions, and National Beef Packing Company, all decided their margins were too

low. So, all three companies pulled the switch and slowed production at their plants, in some cases closing them, until their margins went up.⁵ As Galbraith eloquently points out, this management of supply is not a luxury that farmers have under the current Farm Bill.

The Failure of Agricultural Market Deregulation

The 1996 Farm Bill was written with an eye on expanding agricultural trade and reforming U.S. farm policy to comply with World Trade Organization (WTO) rules. The bill originally required subsidies to be phased out by 2001 through a mechanism called “decoupling,” which removed the historical tie between farm payments and the crops produced. It also removed the last remaining pillar of inventory management—the requirement for farmers to set aside a percentage of their acreage to qualify for government payments. When farmers were instead allowed to produce as much as they could, prices collapsed. And when the promised expansion of exports never materialized, the commodity groups and others who had supported the phase out of subsidies lobbied relentlessly to restore subsidies in the form of “emergency payments.” Congress obliged with a series of \$20 billion emergency bailouts over the course of the 1996 Farm Bill.⁶ The subsequent, 2002, Farm Bill locked in those “emergency” payments, largely in the form of countercyclical payments that increase as market prices drop.

Subsidies distort markets by favoring certain crops over others. They also mask low prices that represent a substantial indirect subsidy to food processors and industrial animal factories. For example, subsidy supported, below-cost feed grains represent an enormous cost savings for industrial animal factories, giving them a decided advantage over grass-fed beef operations. Low commodity prices also drive food industry investment into finding as many uses for these cheap raw inputs as possible, including high-fructose corn syrup and partially hydrogenated vegetable oils.

Eliminating subsidies, however, does not address the root cause of the farm problem: low prices. Remember the sequence that began 1996. First the 1996 Farm Bill cut subsidies and deregulated agricultural markets, causing increased overproduction and a precipitous 40 percent fall in prices. *Then* came a series of \$20 billion bailouts. Subsidies were simply the symptom – not the cause – of a poorly functioning market.

U.S. agricultural subsidies continue to be a popular target at the WTO negotiations. U.S. trade representatives have aggressively pressured other countries to eliminate or dramatically reduce their tariffs. Poor countries have resisted, arguing that U.S. companies are dumping commodities on the poor countries’ markets below the cost of production, thereby undermining their local farmers and farm economies. Poor countries are calling on the U.S. to dramatically reduce its own domestic subsidies. This conflict over U.S. farm subsidies was a factor at the failed WTO ministerial in Cancun in 2003, and again during the breakup of WTO talks in July 2006.

The Farm Bill’s Big Footprint

The Farm Bill affects more than just farmers. Recently, many different constituencies have raised concerns about the Farm Bill, including its impact on:

Energy: Stunning growth in the ethanol market poses both threats and opportunities. Ethanol has

had a tremendous impact on corn prices and availability, and subsequently has had a ripple effect on other crops and on the livestock industry. Ethanol is helping to revive what had been a struggling rural economy in the Midwest, and has shifted the focus of the Farm Bill from exports to domestic uses of commodities. But large-scale biofuel operations powered by coal and run by outside investors stand in sharp contrast to many smaller community- or farmer-owned ethanol plants powered by clean energy. And an overdependence on corn as the sole feedstock for ethanol could have many negative environmental consequences. The Farm Bill will help determine the winners and losers in the fast growing bioenergy markets, and is an opportunity to prioritize rural development, provide farmers and communities with start-up capital, invest in public research in new technologies, encourage the use of sustainable biomass feedstocks, and ensure that the bioeconomy will help shift agriculture toward more sustainable practices in the long run.

Conservation: From programs that take land out of production to those that provide incentives for farmers to implement good environmental practices on working lands, the Farm Bill has become one of the most important policy vehicles for protecting soil and water quality. For example, the Conservation Reserve Program currently takes about 35 million acres of sensitive land out of production and requires landowners to implement specific conservation practices. The 2007 Farm Bill will consider whether to expand or reduce support for this and other conservation-related programs.

Environmental Health: By encouraging the overproduction of feed crops for livestock and thereby forcing the price of these feed crops below the cost of production, farm policy has provided a substantial indirect subsidy to corporately owned and vertically integrated industrial animal factories and contributed to the shift away from grass-based systems.⁷ Large confinement livestock facilities rely heavily on antibiotic use to prevent massive die-offs of their poultry, hogs and cattle from diseases that spread rapidly in such confined quarters. This over-reliance on antibiotics has played a role in decreasing the effectiveness of some antibiotics used to treat humans. Additionally, these livestock facilities have been associated with air and water pollution in surrounding rural communities. The 2007 Farm Bill offers an opportunity for the environmental, public health and agricultural communities to support more diversified, healthier and environmentally sustainable animal farms.

Market Concentration: Increased market concentration, both vertically along the same sector and horizontally across different sectors, has deeply affected U.S. farmers. Fewer and fewer companies sell the inputs farmers need and buy the crops farmers produce. The resulting price squeeze has meant that farmers' costs have gone up, while prices they receive have steadily declined. Overall net farm income has fallen substantially since 1996, despite a near tripling in government subsidies. In January 2007, over 200 organizations wrote Congress asking that they address market concentration in agriculture through a new "Competition Title" in the Farm Bill. The letter called for stronger antitrust enforcement, fairness in contracts and improved price transparency. The 2007 Farm Bill provides an opportunity to debate these approaches to reigning in the growing market power of agribusiness.

Labor and Immigration: The recent raid at six Swift Midwest meatpacking plants by U.S. Immigration agents raised awareness once again about the pivotal role that migrant labor and undocumented workers play in the U.S. agricultural system. The raid followed a crackdown on migrant workers crossing the border from Mexico into the U.S. southwest, drawing criticism from California fruit growers who complained of not having enough workers for harvest.⁸ There is little understanding about the root causes behind increases in immigration, but U.S. farm and trade policy likely have a lot to do with it. Aided by the North American Free Trade Agreement

(NAFTA) and the 1996 “Freedom to Farm” Farm Bill, U.S.-based agribusiness companies have consistently dumped corn onto export markets at between 10 and 30 percent below its cost of production.⁹ Mexico has been particularly vulnerable to artificially cheap corn imports coming from the U.S. As a result, up to a million small-scale farmers have been forced off their land and from their communities and driven to migrate into urban centers or north to the U.S. to seek new employment.¹⁰ The 2007 Farm Bill is an opportunity to reduce the destabilizing impact that our domestic policies have on agricultural communities around the world, and also help new immigrants succeed in the U.S. by providing funds for beginning farmers and small-scale farms.

Global Hunger: The U.S. is the largest food aid donor in the world. The Food Aid program, established in the Farm Bill, has helped address a number of hunger emergencies. But the program has also been highly criticized for undercutting local farmers in poor countries and hindering the ability of those countries to address hunger in the long-term. The U.S. Food Aid program has been criticized for two practices in particular: 1) almost all U.S. aid is in the form of actual food, instead of money to buy food locally; and 2) the U.S. sells some of its food aid at such a low price that it undercuts local producers.¹¹ The 2007 Farm Bill offers an opportunity to reform the much-needed Food Aid program to increase its effectiveness in addressing global hunger.

Implications for Public Health

The impacts of agricultural policy are complex and not always direct. A number of concerns have arisen with respect to the impacts of agricultural policy on public health, including the following:

- Agricultural policies, coupled with technological advancements and market forces, have driven down the price of certain commodities, such as corn and soybeans. Although the relationship between commodity prices and the use of these commodities in the U.S. food system is not completely clear, the low-priced commodities have become ubiquitous in food processing.¹²
- The relative price of food items has changed significantly over the past 40 years. But not all food items have been equally affected. The price of fresh fruits and vegetables has increased dramatically, while the price of meat products, soft drinks, and fats and oils has remained much more stable.¹³
- The confinement livestock industry has benefited tremendously from low-priced corn and soybeans. The overall cost of meat production would likely be 7-10 percent higher if farmers were paid the true cost of producing the corn and soybeans that feed this livestock.¹⁴ This subsidy to these operations not only promotes more meat consumption, but also contributes to a shift away from healthier, grass-fed meat production.¹⁵
- Public agricultural research, much of which is authorized in the Farm Bill, tends to support current agricultural systems rather than promote more sustainable, diverse and healthier systems. Research into meat, dairy, grains and oilseeds, for example, is almost three times greater than research into fruits and vegetables.¹⁶
- The Farm Bill authorizes some of the most important domestic food and nutrition assistance programs, including the Food Stamp Program. In fiscal year 2006, \$32.8 billion was expended

on the Food Stamp Program alone. Yet some of the food and nutrition assistance programs, which are administered by the USDA, fail to meet the USDA's own dietary guidelines. One in five Americans participates in at least one of the 15 nutrition programs each year.¹⁷

- Agricultural policy's emphasis on expanding yields and developing markets for commodity crops has come at the expense of research and development that encourages local, diversified food systems. Although the benefits to public health from a more local, sustainable food system need further research, encouraging local food systems appears to provide multiple benefits, from boosting local economic development to expanding access to fresh produce.

New Political Context, New Opportunities

The 2006 U.S. mid-term elections resulted in a major shift in Congress that will likely have broad implications for the next Farm Bill. Collin Peterson (D-MN) will chair the House Agriculture Committee and Tom Harkin (D-IA) will chair the Senate Agriculture Committee. Both Peterson and Harkin have announced they will finish a new five-year Farm Bill before the 2002 Farm Bill expires in September 2007.

In both cases, the chairs of the committees writing the Farm Bill shifted have from Southerners (with regional sympathies to cotton and rice production) to Midwesterners (with regional sympathies to corn, soy and sugar beet production). Both Peterson and Harkin have indicated that WTO considerations will not be a high priority in writing the Farm Bill.

Peterson and Harkin share many of the same goals for the Farm Bill. Peterson wants basically the same commodity structure as the 2002 Farm Bill, with only a few changes. Both are strong supporters of an expanded energy title, which would include money for the growth of non-corn-based, cellulosic ethanol, and also set incentives for locally owned facilities. Harkin is the author of the Conservation Security Program (CSP), an innovative entitlement program that supports sustainable agriculture practices on working lands, and wants to ensure that it is fully funded. Peterson is a strong supporter of the price support system in place for sugar farmers and will defend the program against a number of interests who would like to see it dismantled. Harkin supports legislation that enforces a more competitive market for agricultural products, particularly for livestock and poultry producers.

From a public health perspective, both Agricultural Committee Chairs have expressed support for healthier and alternative food systems. Senator Harkin has championed wellness initiatives and authored legislation to expand access to fruits and vegetables in schools.¹⁸ Congressman Peterson sponsored a recent conference on using foods to support "The Home Grown Economy".¹⁹ Although major changes in farm policy are not likely no matter who is in leadership, the current Chairs appear to be open to promoting more public health in the Farm Bill.

Finding the Common Ground

Nearly every group interested in the Farm Bill has a specific program it would like to see expanded. Conservation groups, for example, argue for more funds in the Conservation Reserve Program, while

nutrition and anti-hunger groups argue for higher funding of the Food Stamp Program. This approach is commonly called a “Christmas Tree Bill”—each constituency has an ornament they want on the tree. In the case of the Farm Bill, the emphasis is mostly on the ornaments, while the tree – the functioning of the agricultural economy – has been forgotten.

A well functioning agricultural economy, one that provides fair prices to farmers, benefits everyone. Fair prices for agricultural commodities would likely reduce the excessive consumption of added fats and oils, high fructose corn sweetener and grain-fed meat products in the U.S. diet. The policies that support fair prices are well known. Anti-trust legislation, price supports, conservation plans, and supply management through acreage set-asides and grain reserves are all well tested tools. The challenge is gathering the political will to change the current system, rather than each individual constituency fighting simply to have its particular ornament included on the tree.

Recommendations

Numerous organizations and agencies have developed recommendations about what they would like to see emerge from the 2007 Farm Bill. Below are some of these recommendations that both will benefit public health and have generated support from a variety of organizations.

- Curtail research and policies that promote overproduction and have contributed to artificially low commodity prices. Fair prices for crops would benefit farmers and rural communities, support diversified cropping systems, and likely curtail the proliferation of cheap sweeteners, added fats and oils, and industrially raised meat in the food system.
- Support the production and distribution of fresh produce. Federal agricultural research should support the development of local and regional food systems able to provide more fresh fruits and vegetables to communities, especially including lower income communities.
- Use public policy to help connect farms to schools, demonstrating ways to increase children’s access to fresh produce while laying the foundations for healthier, community-based food systems. Potential interventions include expanding the Fruit and Vegetable Pilot Program and appropriating funds for school gardens and other local foods opportunities.
- Consider revisions to the commodity portion of the school meals program. As the commodity program distributes commodities purchased by USDA from excess stocks, it likely provides foods already present to excess in the American food supply. The commodities provided to schools should make it easier, rather than more challenging, to comply with federal dietary guidelines. Some of the funds from this program could provide significant support for the purchase of seasonal produce directly from local farmers.
- Increase access to healthy foods through the federal food and nutrition assistance programs, such as by requiring that certified farmers’ markets in low-income areas be equipped to redeem Food Stamp benefits through Electronic Benefit Transfer, strengthening the WIC and Senior Farmers’ Market programs and implementing the Institute of Medicine recommendations to add fruits and vegetables to the WIC food package.

From family farm and sustainable agriculture groups, to clean energy, global hunger and environmental organizations, public health groups have a number of potential allies with whom to collaborate on agricultural policy. By working together with this variety of constituents, the public

health community can help change the direction of agricultural policy toward a healthier and more sustainable food system.

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