FARM BILL 101






About Food & Water Watch

Food & Water Watch works to ensure the food, water and fish we consume is safe, accessible and sustainable. So we can all enjoy and trust in what we eat and drink, we help people take charge of where their food comes from, keep clean, affordable, public tap water flowing freely to our homes, protect the environmental quality of oceans, force government to do its job protecting citizens, and educate about the importance of keeping shared resources under public control.

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EXECUTIVE SUMMARY

Our current food system is broken, and it did not happen by accident. Many people do not have access to safe, nutritious, affordable food; many farmers can't make a living; many regions of the country no longer produce the food they consume; and large-scale industrial agriculture pollutes our soil and water. Decades of misguided farm policy designed by agribusiness, combined with unchecked corporate consolidation, have wreaked havoc on family farmers, public health and rural communities.

Independent farmers have been sold out by an agricultural policy that favors the overproduction of commodity crops like corn and soybeans, often driving down their price. Deregulation has left farmers vulnerable to wild swings in the price of corn, soybeans and wheat, lowering farmers' earnings for most of the last 15 years. Meanwhile, agribusiness buyers — grain-trading companies, meatpackers and food manufacturers that use soybeans and corn in processed foods — reap huge profits from this system that promotes cheap commodity crops. Farm policy has continued to rely on exports to absorb excess supplies of bargain basement-priced crops, while failing to address the real problems at home, including high land prices, high debt and weakened safety nets for farmers.

Small and midsized farms are at the mercy of market fluctuations, and a wave of agribusiness, food manufacturing and supermarket mergers has made the problem worse. Consolidation has allowed a handful of companies that buy crops and livestock to dictate the prices that farmers receive. The four largest companies in each industry slaughter nearly all the beef, process two-thirds of the pork, sell half the groceries and manufacture about half the milk in the United States. This means that the low prices paid to farmers are not passed on to consumers as savings at the grocery store.

There is a growing movement of farmers and consumers working to rebuild local food systems and put more of the consumer food dollar directly in the hands of farmers. But unfortunately, shopping well is not enough. While we work to restore links in our local food systems that bring farmers and consumers together, we must fix broken food policy at the federal level. The Farm Bill, which is rewritten every five years, offers a critical opportunity to change federal farm and food policy. Instead of catering to agribusiness's desire for cheap raw materials, our next Farm Bill should ensure functional, fair markets so that farmers and farmworkers who grow our food can earn a decent living, promote environmental stewardship and rebuild the infrastructure we need for consumers to access sustainably grown, regionally produced food.

The Farm Bill

Whether you get your food at a supermarket, a farmers market, a restaurant or a food bank, the next Farm Bill will affect what you eat. Consumer demand for locally grown, sustainably produced food has increased dramatically in recent years, and "local food" displays have sprung up in produce sections of grocery stores around the country. Unfortunately, shopping well isn't enough — our food system is in bad shape because of decades of misguided farm policy. We need policy changes to create a food system that both supports smaller and medium-sized famers and regional markets, and provides nutritious food for everyone, regardless of income or location. Congress sets the policies and programs that shape what food is available to the public, how it is produced, where it is sold and who can afford to buy it. All of these policies are contained within the Farm Bill, a major piece of legislation that is revised and renewed about every five years. The 2008 Farm Bill is set to expire at the end of 2012.

Current farm policy favors large industrial-scale agriculture and overproduction of commodity crops like corn and soybeans. Over the past 15 years, these commodity staples have often been sold at prices below the cost of production to food companies to make cheap processed foods or to be fed to animals raised in factory farms. It is no coincidence that the main ingredients in most American diets are from processed commodity crops. And instead of growing fruits and vegetables in the United States, we are importing many of them from other countries where labor is cheap and food safety and environmental oversight is lax.

Agribusiness and many policymakers want farmers to use the market to decide how much and what to grow, and they promise that exports of U.S.-produced commodity crops will bring prosperity to farmers. However, the market does not work the same way for farmers as it does for other industries, and growing evidence shows that the export booms of the past were just temporary flukes.

The problems in our food system did not happen by accident, nor are they the natural result of economic efficiencies. Our current food policy is the direct result of lobbying campaigns by major agribusiness companies and industry trade associations, and the policies that Congress passes on their behalf.

Two key types of reforms are needed to achieve a better Farm Bill: busting apart the agribusiness monopolies that control every step of our food chain, and rebuilding economic and physical infrastructure to link farmers to consumers in their region. Over the past several decades, a wave of agribusiness mergers has left the marketplace controlled by only a few companies. With the corporate stranglehold over our entire food system, farmers cannot get fair prices for their crops and livestock, and consumers do not have the choices they want at the grocery store. This corporate concentration has hollowed out the economies of rural communities, sucking profits out of small towns back to their corporate headquarters. Vibrant rural economies are essential for rebuilding regional food systems, including policy that prioritizes local and regional investments in agricultural businesses and infrastructure, as well as support for more sustainable farming practices.

What Is the Farm Bill?

The Farm Bill establishes the policies and government support for U.S. agriculture, nutrition programs like food stamps, rural economic development programs, agricultural research and much more. The bill is divided into sections (called "titles") that cover specific program areas and generally last for about five years. The 2008 Farm Bill had 15 titles, covering a range of food and agricultural-related topics including food stamps, rural development, trade, fruits and vegetables (called "specialty crops") and commodity crops.

Most of the spending from the Farm Bill — about two-thirds — goes to the nutrition title, which establishes government programs that provide food assistance such as the Supplemental Nutrition Assistance Program (formerly known as food stamps). But the most controversial section is usually the commodity title. The commodity title deals with the crops that are the raw materials of our industrial food system – namely, corn, wheat and soybeans, but also sorghum, barley, oats, rice, cotton and other major grain and oilseed crops.

Critics from the left and the right point to the commodity title as a poster-child for wasteful agricultural policy. Although the structures of the current

What Are Commodity Crops?

Commodity crops are tradable and generally non-perishable agricultural staples that are suitable for easy, long-term storage and transport because they do not spoil quickly. Farmers that cultivate land far from urban consumers can grow these crops, store them and ship them to processors that turn wheat and corn into flour and feed. The Farm Bill commodity title covers corn, wheat, soybeans, rice, cotton, sorghum, oats and barley, as well as dairy products and sugar. The New Deal included commodity crops in the original Farm Bill to ensure that the farm safety net reached the distant farmers that grew storable staples, and the list has stayed relatively constant since then.[1]

commodity programs contribute to many of the excesses of industrialized food production, simply eliminating commodity program payments to corn and wheat farmers will not restore the balance to the farm system that most consumers and farmers want. The system must be reformed to restore a safety net for farmers; simply eliminating the agricultural policies that cover commodity crops is not a roadmap to a fair food system.

In order to understand today's farm policies, we must look at both the current state of U.S. farming as well as the history that brought us to this point.

Our Broken Food System

The three most notable trends in agriculture over the past 30 years have been the rise of giant agribusinesses, the decline of medium- and smaller-scale farms and the shredding of the federal safety net for farmers. These three trends are not coincidental.

The companies that buy crops and livestock — the meatpackers, the food processors and the food retailers — have gotten bigger and more powerful. Because there are so few competitors, they do not bid up the price of crops and livestock; instead, they tend to push down the prices farmers receive. Farmers facing long-term declining prices have been forced to specialize in one or two crops or a single type of livestock and scale up to recoup their losses with more sales. This trend is often explained to farmers as "get big or get out." Over the same period, agribusinesses and market-oriented "reformers" chipped away at the farm policies that ensured that farmers were paid more for their crops than it cost to grow them. The big corporate buyers wanted to pay as little as possible for farm products like corn, cattle and milk and changed farm policy to do away with programs designed to help farmers avoid the cycle of overproduction that drives down crop prices.

Federal farm programs were developed to provide a safety net for farmers to blunt the effects of wild price swings that are unique to agriculture. While the demand for food remains fairly steady — people do not become hungrier when food is cheap, or less hungry when it is expensive — the supply of food is vulnerable to droughts, floods, pests or unusually good seasons with high yields. All of these factors can create volatility in the price farmers are paid for their crops.

The New Deal farm programs enacted in the 1930s provided protection from weather and market volatility by helping to align crop supplies with demand and ensuring that farmers received a fair price for their crops. These safety nets were gradually eroded between the 1980s and 1990s and then were completely eliminated in the 1996 Farm Bill (discussed later). Once the

Titles in the 2008 Farm Bill

- Title I: Commodities
- Title II: Conservation
- Title III: Trade
- Title IV: Nutrition
- Title V: Credit
- Title VI: Rural Development
- Title VII: Research
- Title VIII: Forestry
- Title IX: Energy
- Title X: Horticulture & Organic Agriculture
- Title XI: Livestock
- Title XII: Crop Insurance
- Title XIII: Commodity Futures
- Title XIV: Miscellaneous
- Title XV: Trade & Taxes

safety net was removed, farmers produced much more corn, soybeans, wheat and other commodity crops, and the higher supplies brought down the price farmers received. Congress provided emergency payments to farmers when these low prices undermined the economic viability of most crop farmers in the late 1990s and eventually made these payments permanent in the 2002 Farm Bill when continued oversupply kept prices from recovering.

While low commodity prices hurt farmers, they are a boon to the agribusinesses that buy these commodities. These persistent low prices have steadily reduced the number of smaller- and medium-sized, diversified farms. Instead, farms are larger and more likely to produce just one or two crops — like the common corn-soybean rotation — or raise just one type of livestock, like hogs or chickens. Companies that make processed food with corn and soy as key ingredients, and meatpackers that rely on cheap livestock feed, benefit when prices are low — and in most years since the 1996 Farm Bill, prices have been lower than the crop cost to produce.

The agribusiness processors and grocery stores that buy farm products have taken advantage of the savings from cheap input prices to consolidate into larger operations. Since the 1990s, every segment of the agriculture and food industry — from seeds to grain companies to meatpackers to food processors to grocery stores — has become considerably more concentrated as a wave of mega-mergers increased the size and dominance of the largest companies. The four largest companies in each industry slaughter nearly all the beef, process two-thirds of the pork, sell half the groceries and manufacture about half the milk in the United States.[2] Just two firms sell nearly two-thirds of the corn and soybean seeds.[3]

Concentration in the U.S. Food Industry

Top Pork Processors[4]

1. Smithfield
2. Tyson Foods, Inc.
3. Swift (JBS-Swift)
4. Excel (Cargill Meat Solutions[5])

Top Beef Processors[6]

1. Cargill
2. Tyson Foods, Inc.
3. JBS
4. National Beef

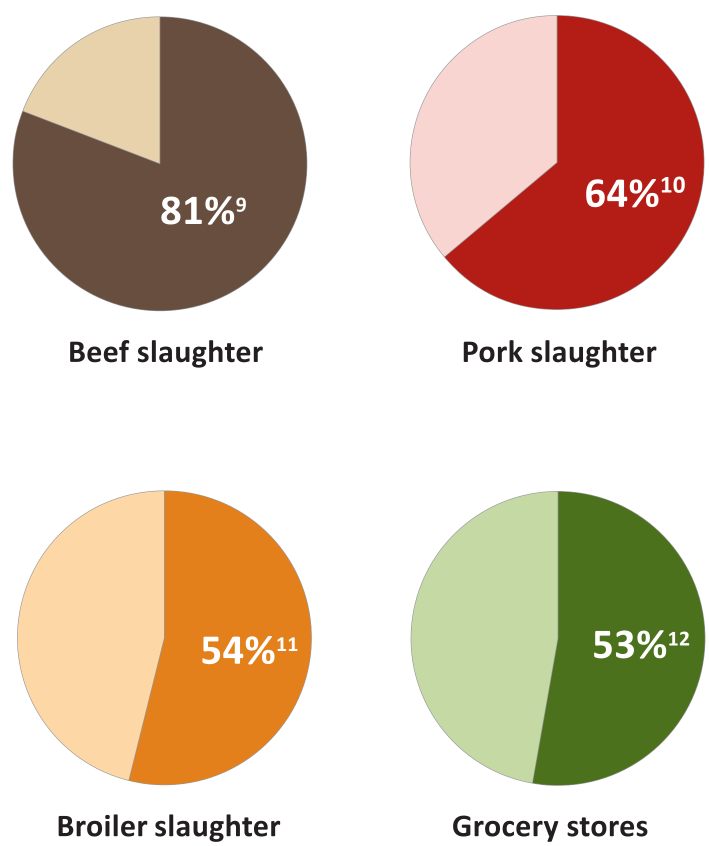
Top Broiler Chicken Processors[7]

1. Tyson Foods, Inc.
2. Pilgrim's Pride Corporation
3. Perdue Farms, Inc.
4. Sanderson Farms, Inc.

Top Grocery Stores[8]

1. Wal-Mart Stores, Inc.
2. Kroger Co.
3. Costco Wholesale Corp.
4. Safeway

Market Concentration of Top Four Firms



This consolidation hurts farmers when they buy supplies and when they sell their farm products. At the beginning of the food chain, there are very few companies supplying farmers with inputs like seed and fertilizer, and the lack of competition drives up costs for farmers. There are also few companies buying crops and livestock, so farmers and ranchers are essentially forced to sell at whatever prices these agribusiness giants offer. The cost of shipping and the perishable nature of many crops limit the ability of farmers to shop their crops and livestock around to more distant potential buyers who might offer a better price, or to hold out and wait for a better deal.

Farming does not work like manufacturing, where a factory can control the speed of the conveyer belts and production lines. Farmers cannot accelerate or slow down crop growth or livestock maturity to control when a product is ready for market. The farmers selling fresh milk or tomatoes cannot negotiate with or stall potential buyers, because those products will only be fresh for so long. In addition, farmers face the cost of maintaining and feeding their livestock while they seek buyers. Dairy farmers are especially vulnerable, as their cows produce more milk every day. Even live cattle are only at their ideal slaughter weight for a few weeks.[13] This market concentration means that farmers are at the buyers' mercy to take whatever price or contract is offered to them.

In the livestock sector, meat and poultry processors are increasingly involved in every step of production and tightly manage all aspects of meat and poultry production, "from genetics to grocery."[14] In the poultry industry, for example, farmers do not even own the birds — they merely perform the service of raising the poultry company's birds under extremely rigid and often unfair contracts. Although the growers don't own the birds, they are responsible for disposal of the chicken manure and for constructing and upgrading the barns.

The large meatpackers and poultry companies not only exert downward pressure on the price of livestock, increasingly they dominate the way farmers manage their own operations. The poultry companies, hog processors and even cattle-slaughtering companies have become vertically integrated, where they own or control multiple stages in the livestock supply chain, from the chick hatcheries, piglet-farrowing facilities, feed mills and feedlots to the slaughterhouses and processing plants.[15]

Consumers also feel the pinch of consolidation at the grocery store. The number of brands and food varieties at the supermarket creates the illusion of abundant choice, but most food is manufactured by only a handful of firms that sell their products under many brand names. Supermarket chains themselves are very concentrated, with half of sales going to four companies. On the local level, the top four chains can control more than 70 percent of the marketplace.[16] Walmart alone controls more than 50 percent of the grocery market in 29 markets across the country.[17]

Who Is Agribusiness?

Walmart

The largest company and food retailer in the U.S.[18] as well as the largest retailer in the world, Walmart operates retail and discount stores in all 50 states, with 4,300 facilities in the U.S. alone.[19] Walmart is one of the largest private employers in the U.S. and Canada and the largest in Mexico, employing 2.1 million people worldwide.[20] In fiscal year 2011, Walmart made $1.87 million in profit *every hour.*[21]

2010 Sales: $419 billion[22]

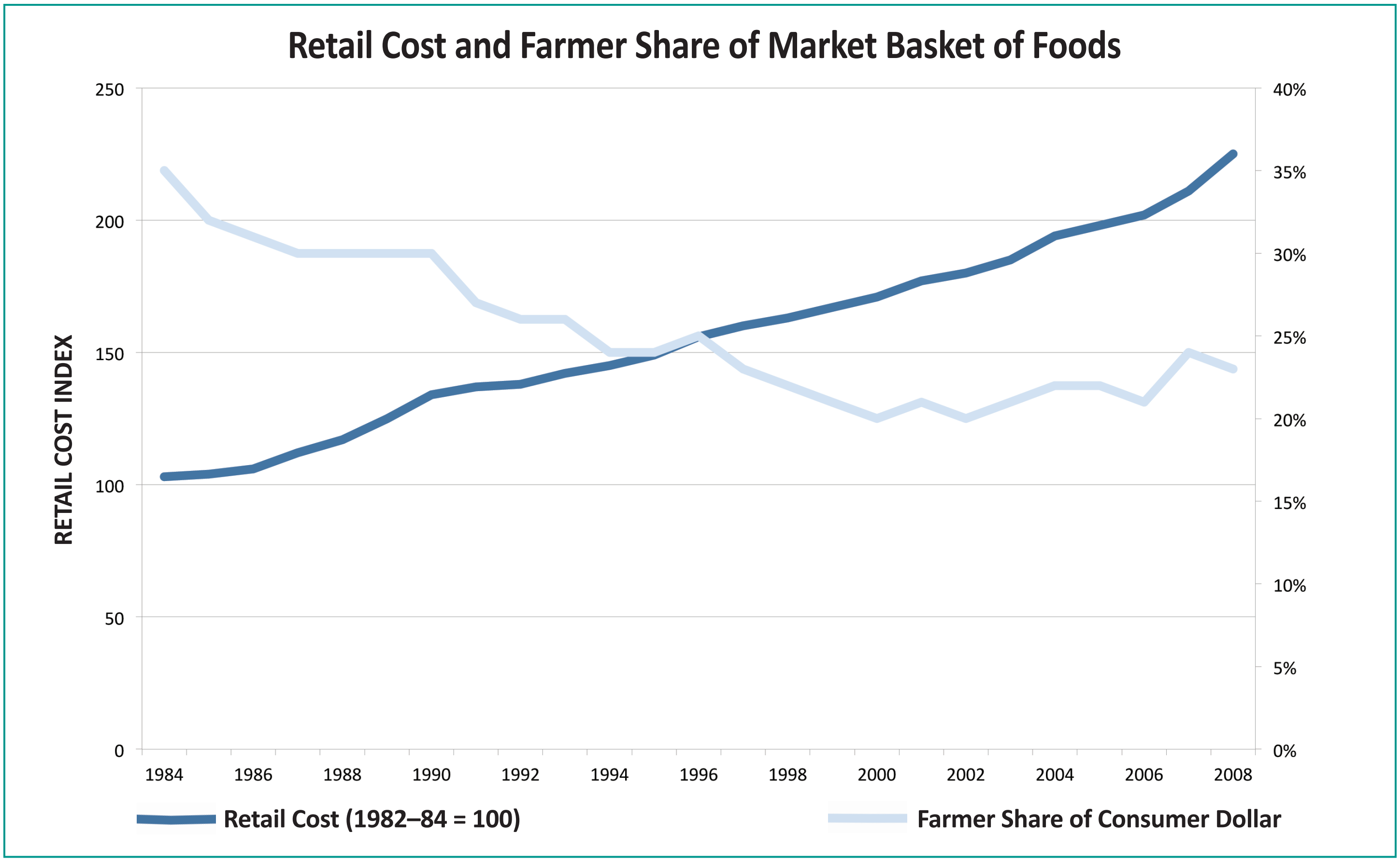
Top U.S. Company in: Retail,[23] grocery sales[24]

Global Reach: Operates stores in 14 countries[25]

Political Campaign Contributions (2000–2012): $6,503,150[26]

Lobbying Expenditures (1998–2010): $33,245,000[27]

Because a few agribusiness and grocery companies control almost all of the power in the food system, they can pay farmers a low price at one end of the food chain and charge consumers a high price for their groceries at the other. Since the mid-1980s, the cost of a typical



Source: USDA National Agricultural Statistics Service, Agricultural Statistics Annual, Table 9-34

basket of groceries, adjusted for inflation, has risen relatively steadily.[28] In contrast, the share of consumer dollars spent on this market basket of groceries fell from 35 percent in 1984 to 23 percent in 2008.[29] An updated analysis by USDA found that in 2011, farmers only received 13.9 percent of total food retail sales.[30]

Even the U.S. Department of Agriculture has recognized that highly concentrated economic power allows the largest companies to capture the majority of the value from food transactions, but "consumers typically bear the burden, paying higher prices for goods of lower quality."[31]

Recent price swings in the dairy industry offer a vivid example. Between July 2007 and June 2009, the real price farmers received for milk fell by nearly half, but the retail price for fresh whole milk fell only half as fast, and the price of cheddar cheese actually increased by 5.8 percent.[32] In 2011, farmers only received $1.63 for every $3.99 gallon of milk.[33] So where does the rest of the money paid by consumers end up? It is captured by retailers and dairy and food processing firms.

Who Is Agribusiness?

Kraft Foods

Kraft claims to be the second largest food company in the world, and its major brands include Oreo, Cadbury, Nabisco, Oscar Mayer and Maxwell House. Over 80 percent of its revenues come from products that are the top-selling brand in their categories.[34] From 1988 to 2007, Kraft Foods was owned by tobacco giant Philip Morris (now known as Altria Group).[35]

Latest Sales: $49.2 billion[36]

Global Reach: Operations in more than 75 countries, with exports to approximately 170[37]

Political Campaign Contributions (2000–2012): $620,500[38]

Lobbying Expenditures (1998–2010): $13,155,000[39]

How Did We Get Here?

U.S. farm policy was not always set up to favor large agribusiness.

The New Deal

The federal role in agriculture dates to before the Civil War but was expanded after the agricultural collapse during the Great Depression.[40] Farm prices were sky high after World War I scorched European farmland, and American farmers planted far and wide to take advantage of the high prices. However, as European production recovered, U.S. prices plummeted in the 1920s.[41] When a severe drought hit in the 1930s, much of the farmland dried up and blew away, creating a dustbowl in the Great Plains. Farm bankruptcies exploded, and many farmers lost their land when the topsoil disappeared in dust storms. Farmers attempted to organize voluntary and cooperative reductions in supply to try to balance out prices, but were unable to do so without government support.[42]

President Franklin D. Roosevelt's New Deal aimed to balance out the wild market fluctuations and provide a safety net for years of low farm prices. The Farm Bill of the New Deal created several programs to ensure that farmers would receive a fair price for their goods and that the agriculture sector would not collapse. The programs stabilized farm prices by helping farmers manage the supply of major agricultural products like corn and wheat. Farmers who voluntarily joined the program were required to lay fallow a certain portion of their land each year.[43] This policy helped to counteract farmers' natural tendency to plant as much as they possibly can, which not only promotes overproduction, driving down crop prices, but also contributes to farmland-destroying erosion.[44]

Additionally, the New Deal established grain reserves to help prevent wide swings in the availability (and price) of staples because of weather, disaster or unusually bountiful harvests.[45] Reserves have been used for thousands of years to ensure food security. During extremely productive years, the government reserve purchased farmers' surplus of storable grain crops, which prevented prices from collapsing when farmers brought all their crops to market. If farmers had a bad year because of drought or pest infestation, the reserve could release the surplus grain onto the market. Thus, with the supply of grain remaining relatively steady from year to year, prices never dipped too low in good years or rose too high in years of blight. Evening out the volatility in agricultural markets was a long-term benefit to farmers and consumers.

The third New Deal tool was a price floor for grains, so that no matter what the supply, the price that farmers received for commodity crops would not dip below the cost of producing them, somewhat like a minimum wage for farmers.[46]

Combined, these programs ensured a steady price for farmers and consumers. In effect, the government was ensuring that agribusinesses buying the farmers' commodity crops paid farmers a decent price for their crops that at least covered the cost of producing them. And without the rampant corporate concentration that exists today, the number of competitive buyers for crops effectively bid prices upward. Farmers earned their income from selling their crops for a fair return when farm policies ensured that volatility did not undermine the viability of farm households. These programs worked pretty well for farmers and consumers for decades.

Export Promises

In the 1970s, policymakers began a shift in farm policy that continues to reverberate to this day. First, agribusiness-friendly politicians contended that global demand for U.S. exports could replace the supply management policies of the New Deal.[47] The Cold War thaw during the Nixon administration presented the prospect for new exports to the Soviet Union and worldwide.[48] Farmers were encouraged to plant "fencerow-to-fencerow" to feed the promised ever-increasing demand for their farm products around the world.[49] The export proponents argued that excess farm production could be exported, which would prevent over-supply in the U.S. market and prevent prices from falling.

In the mid-1970s, Russia experienced a grain shortage and had no choice but to buy grain on the world market, so agribusiness temporarily exported large quantities of U.S. commodities.[50] With more competition to buy U.S. farm products, the prices farmers received went up. The high prices, optimistic forecasts and pervasive rhetoric that U.S. farmers would be "feeding the world" helped to encourage farmers to transition from integrated, diversified agriculture to producing just one or two commodity crops like corn, wheat or soy, which could then be exported in bulk.[51]

Deregulation

This promise of exports and reduced safety nets led to the worst farm crisis since the Dust Bowl. The agricultural boom of the 1970s — with high crop prices, newfound export markets and farm expansion fueled by low interest rates — was sharply reversed in the early-1980s farm crisis. Crop prices fell and farmers paid more for seeds, fertilizer and other inputs than they received for their crops.[52] Net farm income fell by half between 1981 and 1983, and farmland values slid by almost a third between 1982 and 1985.[53] There was a higher rate of farm bankruptcies in 1987 than during the Great Depression, and more than 9,500 farms filed for bankruptcy between 1987 and 1989.[54] However, instead of recognizing that the export boom of the seventies was a bubble that had burst, policymakers kept their faith in trade and turned their attention to unraveling farm safety nets.

During the 1980s, market-driven agricultural policy initiatives began to replace the programs of the New Deal. Supply management policies that prevented farm prices from collapsing were increasingly viewed as limiting U.S. export opportunities.[55] Policymakers insisted that pushing crop prices lower would help exporters undercut foreign competition and sell more, essentially "dumping" U.S. crops on foreign markets for a price that was lower than the local cost of production.[56] Overseas farmers could not compete with the flood of U.S. imports that were cheaper than locally produced goods.[57] And U.S. farmers tried to make up for their low prices by producing more, which drove down prices even further.

The 1985 Farm Bill began to dismantle the New Deal farm safety net by reducing the number of mandatory idled acres and started to phase out the crop reserve purchase program. This both brought new acreage into production and allowed excess stocks to enter the market, which increased supply and lowered prices. The promised increase in earnings in export profits, based only on theory and not evidence, never materialized — farmers just lost money.[58]

Freedom to Farm = Freedom to Fail

Farm policy in the 1990s continued the trend of the prior decade with more deregulation and trade deals. Despite the 1980s farm crisis, farm policy continued to rely on exports to absorb excess supplies of bargain basement-priced crops, attempting to try to make up for low prices by finding more and more export markets, while failing to address the real problems at home, including high land prices, high debt and weakened safety nets for farmers.

Despite the initial deregulation of the 1980s, some programs that could stabilize prices for commodity crops still existed. However, all this changed with the 1996 "Freedom to Farm" bill, which ended the structural safety nets that had protected farmers during lean years for decades. At the behest of the giant agribusiness corporations that purchase commodity crops, the 1996 Farm Bill completely eliminated the requirement to keep some land idle, which encouraged farmers to plant as much as they could. In 1994, a report funded by the National Grain and Feed Foundation titled *Large-scale Land Idling Has Retarded Growth of U.S. Agriculture* urged an end to programs that had kept production in check by encouraging farmers to idle some of their cropland.[59] This report played a key role in debates over the 1996 Farm Bill.[60] It also eliminated the grain reserves that were meant to stabilize supplies and therefore prices.

The bill's proponents, including agribusiness, suggested that farmers would adjust to market conditions, growing only what was needed. Cargill public relations executives claimed farm programs were outdated and needed to be scrapped, and that global demand for food was on a "robust, steady growth trend."[61] The market was expected to replace any federal payments, and the 1996 Farm Bill planned to shift away from farm program payments.[62] What happened in reality was much different. This deregulation left farmers vulnerable to market fluctuations caused by agribusiness buyers as well as the weather, and it soon became known as "Freedom to Fail."[63]

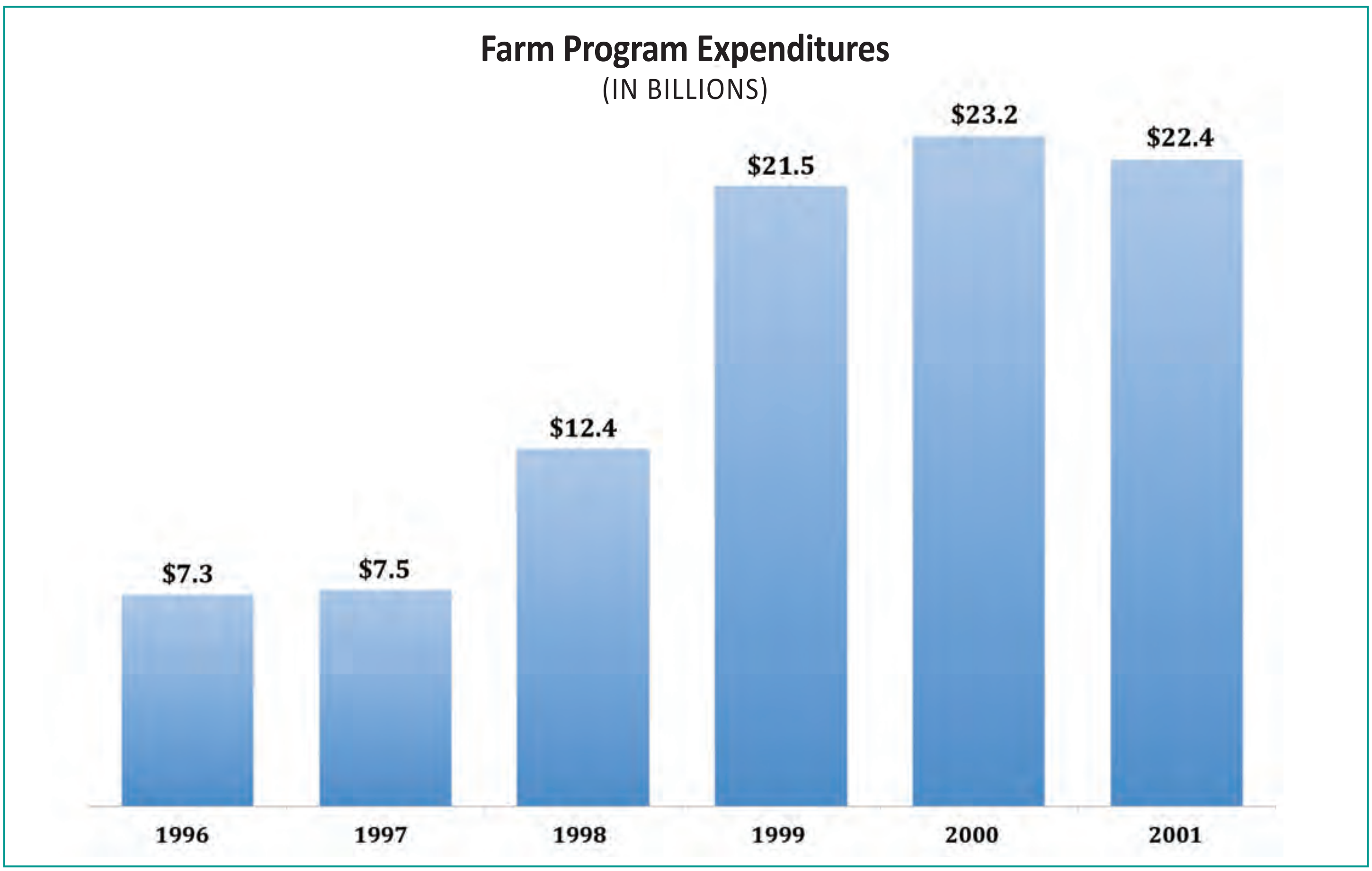
When supply management policies ended, farmers made the rational decision for their individual businesses: they planted more. Farmers harvested 7.5 million more acres of corn and 7.6 million more acres of soybeans in 1997 than in 1995.[64] The influx of grain onto the market caused the price of grains to collapse. Farmers planted additional acres to try to make up for lost income, which then depressed prices further.[65] Between 1996 and 1997, real corn prices dropped by 28.4 percent.[66] The crop price freefall continued. Between 1996 and 1999, the real price for corn and soybeans fell by half.[67]

The failure of the 1996 Farm Bill led to record-level government farm payments. Although the legislation was designed to completely phase out farm program payments, dramatically falling farm prices led to direct government payments to farmers. By 1997, Congress authorized emergency payments to farmers to quell criticism over the failure of the 1996 Farm Bill in the face of collapsing farm prices.[68] Expenditures for farm programs spiked dramatically, increasing from $7.3 billion in 1996 to $12.4 billion in 1998 and then soaring to $21.5 billion in 1999, with expenditures remaining above $22 billion in 2000 and 2001.[69] Even with these payments, U.S. net farm income declined by 16.5 percent from 1996 to 2001.[70] In the 2002 Farm Bill, Congress voted to make these "emergency" payments permanent rather than address the underlying cause of the price drop: overproduction.[71]

Since 1996, the real price of corn has been lower than it was during the 1970s almost every year except 2008, when commodity speculators, tight supplies (due to bad weather) and spiking demand (when high gasoline prices made the use of corn-based ethanol surge) drove prices through the roof for a few months before the bubble collapsed.[72] In 2011, prices rose again as similar trends developed.

The political and economic landscape during the 1996 Farm Bill debate was startlingly similar to current conditions. High commodity prices in 1995 suggested that farm programs were no longer necessary, especially as Congress focused on budget deficits and restraining federal spending. The conditions leading into the next Farm Bill are nearly identical: farm prices are high, and reducing government spending is at the forefront of the political discourse.

The lessons of the 1996 Farm Bill should provide a cautionary tale for the next Farm Bill negotiations: short-term fiscal gains from gutting farm programs can quickly be reversed by crop price volatility and sharp economic



Source: USDA Economic Research Service. "Direct Government Payments by Program, United States, 1996-2009."

downturns in farming. A 2011 University of Tennessee study found that if grain reserves had been in place from 1998 to 2010, all other commodity programs could have been eliminated, cutting costs by 60 percent and yet still protecting farm incomes.[73] Sensible, long-term policies to moderate the worst downturns are more sustainable, more responsible and less expensive than the slash-and-pay policy swings that have governed farm policy over the past 15 years.

The Export Myth

Another wrinkle in the debate is the World Trade Organization (WTO), a pact that promotes international trade but also decides if domestic policies created by member countries are serving as barriers to trade. When someone proposes a new idea for farm and trade policy, the question arises, "But is it WTO compliant?" In 2009, Canada and Mexico challenged U.S. country-of-origin labeling for meat as an illegal trade barrier under the WTO.[74] The WTO's Agreement on Agriculture actually prohibits member countries from adopting any farm policy that affects the supply or price of crops.[75] Instead, farm programs must be "decoupled" from price or supply considerations.[76] For years, U.S. lawmakers have tried to change U.S. farm policy to fit into the rules set out under global trade agreements. In fact, direct payments to farmers were adopted largely because they were unconnected to price or supply conditions.

Instead of trying to find ways to make U.S. farm policy compliant with global agricultural trade rules, lawmakers should adopt policies that ensure that farmers receive fair prices for their crops and livestock. Indeed, the WTO Agreement on Agriculture has encouraged a flood of cheap commodities into the developing world (when prices are low), and food import-dependent countries have faced prohibitively expensive food staples (when prices are high like in 2008 and 2011). The WTO required member countries to reduce import taxes, called tariffs, on agricultural goods.[77] As a result, floods of U.S. corn, soybean and other commodity crops inundated developing countries most years when prices were low. This dumping of commodities pushed farmers in the developing world off the land. Meanwhile, U.S. fruit and vegetable producers have been undercut by a sharp increase in imported fruits and vegetables from corporate-owned plantations in developing countries with weaker labor and environmental standards. The globalized market in agricultural products allows the same agribusinesses that squeeze farmers in the United States to take advantage of farmers and farmworkers worldwide in the pursuit of cheap farm goods.

The WTO offers a failed model for agriculture policy that should not be the foundation for agriculture policy in the United States. Instead, U.S. farm programs should ensure that farmers receive fair prices for their crops and livestock, which would stabilize prices for farmers worldwide. When prices are low, agribusiness can export U.S. crops at below the cost of production, which hurts farmers in the developing world. If agribusiness export companies had to purchase their grains from U.S. farmers at a fair price, they could no longer dump these products on the developing world at below the cost of production and destroy local markets in poor countries.

Who Is Agribusiness?

Smithfield Foods

Smithfield is the world's largest pork processor and hog producer and controls virtually all stages of pork production, from sows to slaughterhouses for its products.[78]

2009 Sales: $11.2 billion[79]

Top U.S. Company in: Pork processing, hog production[80]

Global Reach: Operations in the U.S., Poland, Romania and the U.K., with exports to more than 40 countries[81]

Political Campaign Contributions (2000–2012): $489,400[82]

Lobbying Expenditures (1998–2010): $9,635,000[83]

Who Benefits from Bad Policy?

Farmers lose when crop prices collapse, but buyers of those crops win. Cheap grain prices are exactly what big agribusiness processors want and what they have used to design their business models. With lower-cost inputs of corn and soybeans, they can produce their processed junk foods and high-fructose corn syrup much more cheaply. And instead of raising livestock on pasture, animals can be crammed into factory farms and fed artificially cheap corn- and soybean-based animal feed.

Current farm programs allow prices to fall below the cost of producing the crops; when prices fall enough, the government only reimburses farmers to cover some of their losses. Taxpayer dollars end up subsidizing meatpackers, factory farms and food processors, effectively laundering the money through farmers. The real beneficiaries of the farm payments are not farmers but the buyers of the cheap crops, because government payments to farmers allow these buyers to pay less for the crops that are their raw materials. For example, a Tufts University study found that factory farms saved $34.8 billion between 1997 and 2005 because they were able to buy feed at below-production cost.[84] The buyers were silent when crop prices fell. When commodity prices rose in 2007 and 2008, meatpackers and poultry processors saw significant drops in profit as the cost of their major input — feed — started to rise.[85]

Are Subsidies Really the Problem?

It has become quite common for every problem in the food system to be blamed on misguided farm subsidy programs. But no matter how often it is repeated, it's not that simple. Ending government payments to farmers will not fix the problems in our food supply because the payments are the result, not the cause, of the low prices farmers receive for their crops.

Farm program payments are not the main reason that U.S. farmers grow lots of corn and soybeans. Farmers plant crops that are in demand by the largest buyers: grain-trading companies, meatpackers and feedlots that feed corn and soybeans to livestock, and food manufacturers that use soybeans and corn in processed foods.

Farmers grow what they can sell. Because of decades of corporate-controlled farm policy and consolidation of agribusiness crop buyers, commodity crops are the only option for farmers in many parts of the country. A remote rural wheat farmer with a few thousand acres of wheat cannot suddenly switch to growing tomatoes to sell directly to consumers at the farmers market. The demand and infrastructure needed to sustain this type of transition away from intensive commodity crop production no longer exist.

Ending government payments to farmers will not fix the problems in our food supply because the payments are the result, not the cause, of the low prices farmers receive for their crops.

And even though the government distributes subsidies disproportionately to larger farms, many small and medium-sized farms could not stay in business without these payments.[86] A 2011 analysis of USDA data showed that in 2009, small and medium-sized farms (those with net sales of $100,000 to $250,000) had average earnings of just $19,724 from farming, which includes government payments.[87]

Ethanol is not going to fix things either. The recent rise in ethanol production, which is soaking up some of the excess production of corn, is in fact increasing the prices farmers are getting for their commodity crops.[88] The new demand for corn has helped buoy prices — for corn and for other crops as cultivation shifts to corn to feed ethanol refineries. However, this boon for farmers may not last. The heavily consolidated food industry that is dependent on cheap corn is working hard to restore its previous system of low corn prices.

And although farmers once owned most ethanol plants, only a few ethanol companies now dominate the sector. In 2008, the largest five firms controlled over 24 percent of the market while the farmer-owned share of the market fell to 20 percent from a high of 38 percent in 2006.[89] Much like the short-term increase in export demand in the 1970s, the current demand for corn ethanol is unlikely to provide a permanent solution for corn farmers looking to get paid a fair price. Fixing farm programs so that they ensure a better price for farmers could.

Better Agriculture Policy

Instead of encouraging overproduction and maintaining farm programs that really benefit the big agribusiness companies, it is time to restore supply management policies and price safety nets that make agribusiness, not taxpayers, pay farmers fairly for the food they grow and we eat. This means bringing back strategic grain reserves, requiring that farmers leave a portion of land fallow and maintaining minimum price floors for crops to ensure that, at the very least, farmers are paid for the cost of producing their crops.

Reining In Corporate Control

The consolidated market power of meat and poultry companies has reduced the earnings of livestock producers, forced them to become significantly larger and encouraged them to adopt the more intensive practices used on factory farms. The supposed efficiency gains from larger operations ignore the considerable cost to communities and the environment from this type of industrialized agriculture. The intensive methods come with a host of environmental and public health costs such as air pollution, contamination of water with manure and increased antibiotic resistance in livestock, none of which are paid for by the industry.

Meatpackers use contractual relationships with independent cattle producers and feeding operations to control the supply of cattle entering their slaughterhouses and exert control over farmers.[98] This captive supply compounds the problem by giving meatpackers excessive control over the contractual terms under which farmers raise and sell livestock.[99] Meatpackers increasingly even own the livestock long before they reach the slaughterhouse.

The 2008 Farm Bill included the first-ever livestock title that made some progress in addressing the lack of competition in the livestock sector. The provisions included a requirement for mandatory country-of-origin labeling for meat, poultry, fruits and vegetables

Who Is Agribusiness?

Archer Daniels Midland

ADM is the world's largest corn processor and a leading manufacturer of high-fructose corn syrup, and is the biggest oilseed processor in the U.S.[90]

2009 Sales: $61.7 billion[91]

Top Company in: Ethanol manufacturing (U.S.),[92] flour milling (North America),[93] corn processing and oilseed (soybean, cotton, sunflower, flax) processing (North America)[94]

Global Reach: Operations in over 60 countries[95]

Political Campaign Contributions (2000–2012): 885,450[96]

Lobbying Expenditures (1998–2010): $6,270,000[97]

as well as directed USDA to develop new rules to ensure that livestock producers are treated fairly by meatpackers and poultry companies.[107] In 2010, USDA issued proposed rules to prohibit unfair and abusive contract terms for poultry and hog growers, including banning retaliation against growers who speak out against unfair treatment, allowing growers to opt out of binding arbitration clauses in contract disputes and ensuring that growers who make significant investments in their farms receive long enough contracts to repay the loans.[108] In addition, the rules as originally proposed ensured that favored livestock producers were not rewarded with sweetheart deals from the meatpackers while others received lower prices for the same number and quality of livestock.

By late 2011, the rulemaking process had ground to a standstill under pressure from the meatpacking and poultry industry, and many needed reforms were indefinitely delayed. Fully implementing the original proposed rules as well as additional reforms are still needed, like addressing captive supply arrangements including prohibiting meatpackers from owning

Who Is Agribusiness?

Tyson Foods

Tyson is the second largest food production company in the U.S. and one of the largest meat companies in the world.[100] It is involved in virtually every stage of beef, pork and poultry production and has operations in 23 U.S. states as well as overseas.[101]

2009 Sales: $28.4 billion[102]

Top U.S. Company in: Top Broiler company in the U.S.[103]

Global Reach: Operations in 16 countries, with exports to over 100[104]

Political Campaign Contributions (2000–2012): $795,870[105]

Lobbying Expenditures (1998–2010): $13,876,285[106]

livestock and thus manipulating market prices, and ensuring all contracts are based on pre-agreed, set prices and firm dates of delivery. This would prohibit meatpackers from using a pricing system that could provide unfair advantage to some producers and disadvantage others.

The beginning elements of competition policy included in the 2008 Farm Bill livestock title need to be strengthened and expanded into a competition title in the next Farm Bill that would address the consolidated market power across the entire food chain, including dairy, livestock and poultry processors; seed companies; fruit and vegetable buyers; and grocery stores.

Economic Development Policy to Build Regional Food Systems

The rise in corporate consolidation in the food industry has driven independent, locally owned food manufacturers, processors and distributors out of business. The Main Streets of rural towns have been boarded up as distant companies siphon the profits from rural America. Independent grain elevators, flour and corn mills, small meat processors, fruit and vegetable distribution terminals and independent suppliers of farm inputs like seed, feed and machinery are increasingly hard to find. Today, the businesses that do exist are most likely corporations supplying inputs through contracts with large farms. Mills or slaughterhouses to process the grain and livestock for all of the farmers in surrounding towns are bigger and much farther away.

Economically viable independent farms are the lifeblood of rural communities.[109] The earnings from locally owned and locally controlled farms generate an economic "multiplier effect" when farmers buy their supplies locally and the money stays within the community.[110] When these businesses disappear and are replaced by just a few larger facilities, rural economies suffer. The earnings and profits from meatpacker-owned cattle feedlots and hog production facilities are shipped to corporate headquarters instead of invested locally. Independent slaughterhouses, milk and meat processing firms, locally owned grain elevators and local feed and equipment dealers provide employment, investment and stability to rural communities.

The Farm Bill triggers hundreds of millions of dollars of USDA spending on rural development, ranging from grants to local governments and community organizations to government-backed loans to businesses.[111] Unfortunately, many past bills have focused funding only on larger projects like broadband Internet access or businesses that don't help rebuild food systems, like hotels or convenience stores selling processed food.[112] What has been sorely lacking is investment in agricultural-related industries and infrastructure that would support the vegetable, grain, dairy and livestock farmers who need distribution, packing and processing facilities before they can bring their products to market.

The next Farm Bill should focus on leveling the playing field for independent farmers, ranchers and food processors and redirecting rural development programs to rebuild missing infrastructure that can serve regional food systems, not corporate supply chains. One way to do that is to dedicate rural development funding in the Farm Bill to facilitate the growth of small and medium-sized independently owned agriculture and food enterprises that can reinvigorate local economies.

Increasing Access to Healthy Food

Besides setting the rules for how agriculture markets will work, the Farm Bill creates programs that help consumers access healthy food.

One popular prescription for our broken food system is to divert money from the commodity programs to the "specialty crops" title, which covers fruits and vegetables. The 2008 Farm Bill was notable in its support for specialty crops, which was delivered primarily in the form of block grants to state governments, which are lump sums of money with very few conditions. Some states distributed the specialty crop funding to industry trade associations that focused on generic marketing campaigns instead of encouraging and supporting local and regional farmers. For example, a California-based industry trade group called the Western Growers[113] received $1 million from a specialty crops block grant to create a promotional website and social media campaign.[114] The association Alliance for Food and Farming received a $180,000 grant to "correct the misconception that some fresh produce items contain excessive amounts of pesticide residues," in an effort to rebut the Environmental Working Group's "Dirty Dozen" list of the 12 most pesticide-contaminated fruits and vegetables.[115]

In the next Farm Bill, more guidance is needed in the specialty crops title to ensure that the money and resources go toward supporting small and medium-sized fruit and vegetable farmers instead of just the largest players in these industries. Programs that support specialty crops, and sustainable, organic or diversified production of these crops, should also be included in other titles, such as research and conservation, which have predominantly focused on commodity crop and livestock production.

Who Is Agribusiness?

Dole Food Company

Dole is the world's largest producer, marketer and distributor of fresh fruits and vegetables.[116]

2009 Sales: $6.9 billion[117]

Top U.S. Company in: Bananas, iceberg lettuce, celery and packaged fruit[118]; number two in pineapples; and number three in cauliflower and strawberries[119]

Global Reach: Sources fresh fruits and vegetables from over 20 countries and sells them in more than 90 countries[120]

Political Campaign Contributions (2000–2012): $10,100[121]

Lobbying Expenditures (1998–2010): $3,375,000[122]

Promoting Environmental Stewardship

A major portion of spending generated by the Farm Bill goes to conservation programs that either encourage farmers to take vulnerable land out of production, require certain environmentally preferable farm practices or help farmers financially to change their practices. Programs such as the Environmental Quality Incentives Program (EQIP) can help farmers implement cost-effective, environmentally beneficial production methods such as grassland and wetlands management, integrated pest management and the sustainable management of manure.[123] But too often, these funds are used to subsidize short-term, technology-heavy "fixes" to the pollution problems of industrial livestock and crop operations. Under EQIP, the last Farm Bill delivered a subsidy to factory farms by dedicating 60 percent of program funding to livestock operations. Between 2003 and 2007, taxpayers paid $179 million to cover manure management costs just for industrial dairies and hog operations (not counting chickens or cattle) under EQIP.[124] One way to address this problem is to cap the size of individual grants given under the program, and to limit grants to smaller and medium-sized facilities.

Farms receiving benefits from Farm Bill programs should have to comply with good conservation practices, and conservation compliance provisions in the Farm Bill can help ensure that they do. These provisions focus on maintaining proper soil conservation on land that is subject to erosion and protecting wetlands by cutting off access to some Farm Bill benefits if minimum environmental standards are not met.[125] These requirements should be maintained and strengthened in the next Farm Bill.

Conservation program funding should be targeted to operations that provide the greatest long-term environmental returns. Funds should facilitate the transition to and maintenance of farm management strategies that improve biodiversity, minimize air and water pollution and conserve soil, water and other essential resources. Conservation programs should support the transition to organic farming and help farmers identify crops and techniques appropriate to their region's water resources and climate.

Research

The research title of the Farm Bill has typically funneled federal research dollars toward agribusiness and industrialized farming, rather than focusing research to solve day-to-day farm problems, helping farmers transition to more sustainable methods or developing publicly available technologies and plant and animal breeds. In the 2008 Farm Bill, this title created the National Institute of Food and Agriculture (NIFA), which distributes federal agricultural research funds to universities and institutions through competitive awards and grants.[126] These competitive grants are awarded on a variety of research areas but have caused a shift toward applied research that is conducted jointly with the private sector.[127] For example, the Donald Danforth Center in St. Louis, funded in large part by Monsanto, performs plant science research under the competitive grant program.[128] Agribusinesses can then develop and market the fruits of USDA-funded research for private gain.[129]

The next Farm Bill's research title should shift toward policies that will benefit smaller-scale farmers instead of agribusinesses, with research being performed for the public, not private interests. The research title was originally designed to provide practical solutions to the day-to-day problems facing farmers, and it needs to return to those goals. It should focus on alternatives to industrialized production, including reviving research into non-genetically engineered crops and livestock breeds and low-input and sustainable production methods such as grazing livestock. Examples of this kind of program are the Organic Agriculture Research and Education Initiative and the Specialty Crop Research Initiative, two programs that currently make up just 2 percent of the research title's budget.[130]

Organic Agriculture

Organic agriculture has seen incredible growth in the past several decades,[131] yet farm policy has not kept up with this growth. The Farm Bill needs to include provisions targeted to organic production throughout the legislation, including the research, conservation, credit and insurance titles. The USDA research agenda should increase the proportion of time and resources it devotes to organic agriculture. Certified organic farmers should have easier access to conservation programs, since organic operations are already using practices intended to be better for the environment. The last Farm Bill contained a cost-sharing provision that gave money to farmers to offset the cost of becoming organically certified.[132] This helps conventional farmers who want to make the transition to organic farming, and should be maintained and expanded.

Genetically Engineered Crops

Far too much of past farm policy and the USDA's agenda is skewed toward encouraging and supporting genetically engineered (GE) crops. The research agenda provides federal money to private companies researching patentable biotechnology and discounted crop insurance rates to farmers if they plant GE corn under the USDA's Biotechnology Endorsement program.[133] This pilot program began in 2007 with the encouragement of Monsanto, which owns most of the seed patents.[134]

Tremendous consolidation in the seed industry has concentrated almost all seed traits in the hands of companies that market genetically engineered seeds almost exclusively. Only a few biotechnology companies dominate the U.S. seed industry, which once relied on universities for most research.[135] Farmers depend on the few firms that sell seeds, and these companies have raised the prices of seed and affiliated agrochemicals as the market has become increasingly concentrated. Biotech corn seed prices increased 9 percent annually between 2002 and 2008, and soybean seed prices rose

7 percent annually.[136] By 2009, nearly all (93 percent) of the soybeans and four-fifths (80 percent) of the corn cultivated in the United States were grown from seeds covered by Monsanto patents.[137]

The next Farm Bill also needs to address the issue of liability that patent holders of GE seeds should bear for the contamination of non-GE crops. Currently, if GE crops contaminate non-GE crops, the GE seed company is not responsible for the damage. The USDA prohibits the use of GE material — including enzymes, seeds or veterinary treatments — in any product that carries the agency's "certified organic" label.[138] Certified organic farmers can face significant economic hardship if biotech traits contaminate their organic crops or organic livestock feed. Many domestic and global markets for non-GE and organic products have zero-tolerance policies, which means that unintentional contamination can cause farmers to lose their markets, and the company that created the GE seed is unaccountable.

The Farm Bill should include contamination-prevention policies to protect organic and non-GE producers from losing their markets. The financial responsibility of contamination should be on the patent holders of the GE technology, rather than on those who are economically harmed.

Who Is Agribusiness?

Monsanto

Monsanto is a global agricultural biotechnology company that specializes in genetically engineered seeds and herbicides, most notably Roundup herbicide and Roundup Ready seed.[139] In 2009 in the United States alone, nearly all (93 percent) of soybeans and four-fifths (80 percent) of corn were grown with seeds containing Monsanto-patented genetics.[140]

2009 Sales: $10.5 billion[141]

Top U.S. Company in: World's largest seed producer[142]

Global Reach: In 2009, Monsanto traits were grown on over 282 million acres worldwide,[131] all of which were outside the U.S.[143]

Political Campaign Contributions (2000–2012): $769,452[144]

Lobbying Expenditures (1998–2010): $46,522,720[145]

Conclusion

U.S. farm policy, with its emphasis on overproduction of staple crops, volatile and often low crop prices, and focus on exports, does not work for consumers or farmers. Instead of catering to agribusiness's desire for cheap raw materials, Congress should ensure that farmers and farmworkers who grow our food can earn a decent living, that farmers can sell their goods in genuinely competitive regional markets and that consumers are able to access sustainably grown, regionally produced food.

Recommendations

In the next Farm Bill, Congress should focus on policies that create fair markets and restore regional food systems.

- **Level the playing field:** A more vibrant marketplace with more choices for farmers and consumers cannot happen without breaking up the agribusiness monopolies. The next Farm Bill should include a competition title with measures addressing concentration at every link in the food chain, including inputs like seeds, fertilizers and agrochemicals; dairy, fruit and vegetable production; food processing and grocery retail. Specifically for livestock, Congress should ban meatpacker ownership of livestock and reform the rules for using captive supply contracts, practices that let meat companies manipulate the prices paid to farmers for their livestock.

- **Make markets fair:** Farm pricing and contract policies should ensure that all producers receive enough from their farm sales or services to provide a fair return. The next Farm Bill should restore the supply management policies of the New Deal. These policies were created to mitigate price volatility to ensure a fair price to farmers. This would include keeping strategic grain reserves, setting aside land not to be used for production and making sure farmers receive more for their crops than it costs to produce them.

- **Ensure food security:** Restoring common-sense practices like agricultural reserves can reduce wild volatility in prices paid to farmers and reduce long-term high prices that harm consumers. America used to have a commodity reserve for grains — like the Strategic Petroleum Reserve — and it is time to restore it, which would cut costs and still protect farm incomes.

- **Make healthy food accessible:** In the short term, nutrition safety nets need to be strengthened so that low-income families can afford healthy, nutritious foods, not just the cheapest options.

- **Rebuild local food infrastructure:** Consolidation in the food system has eliminated local butchers, dairies, wholesale produce marketplaces and grain-milling operations needed to restore regional food systems and strengthen rural economies. Rural development programs should prioritize rebuilding this vital food infrastructure.

- **Make smart government purchases:** Schools, universities, hospitals, government agencies, prisons and governments at all levels should use their purchasing power to lead the way in recreating regional food systems.

- **Support sustainable farming:** Farmers cannot just switch overnight from intensive commodity production to more sustainable, diverse farms. For independent farmers to shift to more diversified operations they will need credit, agricultural extension, organic transition and other capacity-building support.

- **Promote environmental stewardship:** Government conservation programs should promote farm management strategies that improve biodiversity, minimize air and water pollution and conserve soil, water and other essential resources.

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