POLICY PENNINGS

By Daryll E. Ray

Editorialists' tone masks crop agriculture's real problems

As a group, editorial writers have severely criticized the recently enacted 2002 Farm Bill for being too expensive and directing the bulk of the money toward the largest producers. These characterizations are especially true of the editorials in major metropolitan papers.

The editorials panning the $170 billion—or is it $180 billion, no, it's now $190 billion—piece of legislation seem to be written as if the editorialists had visualized grifters, such as Johnny Hooker (Robert Redford) and Henry Gondorff (Paul Newman), using the 2002 farm legislation to the put "The Sting" to the American public (with the music from Scott Joplin's "The Entertainer" playing endlessly in the heads of all).

As a result, many people may be left with the impression that the crisis in crop agriculture was overplayed and begin to believe that they, like Doyle Lonnegan, have been "stung" by an elaborate con game.

The contemptible tone of the majority of the farm-bill stories and editorials might make one think that agriculture does not have a price and income problem, only a greed problem. This is unfortunate because it is very evident that agriculture is under a tremendous financial strain and would be to the breaking point without government help.

But, because we are using government payments as the compensating mechanism, it is easy to become blinded by the size of the budgetary outlays and forget the source of the problem, or even that there is a problem.

So, for the record, what is the problem? The problem is that markets for major crops do not self-correct in a timely manner when external shocks cause prices to decline. It does not matter what the shock or alleged shock is. It can be good weather in the U.S. or around the world, yield gains in Argentina, foot and mouth disease in Taiwan or a change in exchange rate relative to our major export competitors. The area of crop production does not decline adequately in the face of a significant drop in prices. Likewise, lower prices do not trigger a significant increase in crop utilization by domestic users and export customers.

I believe the reason the 2002 Farm Bill gets so much editorial criticism is because of the method chosen to compensate for crop agriculture's lack of self-correction. Instead of providing alternative market-balancing approaches to address crop agriculture's inability to respond sufficiently to market prices, mechanisms have been chosen to directly supplement farm incomes, making the whole thing look like a giant welfare program. The present legislation is focused on the results of low prices, not their cause.

Prior to the 1996 legislation, farm bills included production adjustment mechanisms and programs to manage surplus stocks. The earlier farm legislation had the effect of designating the Secretary of Agriculture as the CEO of agriculture. The Secretary could activate programs to broadly adjust the productive resources devoted to crops much the way a corporate CEO continues to do in other industries.

Because the current legislation lacks mechanisms to deal with the over-production root-cause of agriculture's price/income problems, it gives the general public the impression that farm legislation is a con game designed to get as much money from the federal government as possible. Never mind that the crop agriculture sector is not "prosperous" even with the payments. Never mind that the real beneficiaries of below-full-cost-of-production crop agriculture are agribusiness suppliers, merchandisers, transporters, and processors as well as domestic and export demanders of raw crop output, NOT those who produce it.

It is unfortunate that the tone of much of the editorial commentary on the 2002 Farm Bill focuses only on the politics of creating complex legislation while virtually ignoring the real problems that are facing crop agriculture and, barring a weather related disaster, will continue to plague the sector for the duration of this legislation.

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Originally published in *MidAmerica Farmer Grower*, Vol. 19, No. 20, May 24, 2002

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