Winnowing farm programs

The 2018 Farm Bill is being written in an intensely partisan environment. We see it in the campaign rallies, we see it in the ads on television, we see the results of partisanship in day to day interactions when neighbors are afraid to talk to each other if they are on opposite sides of the divide. That partisanship is clearly evident when it comes to the nutrition title of the farm bill where some want to make critical changes in the Supplemental Nutrition Program and others don't.

But when it comes to the commodity title, no partisanship is evident. Members of both parties are in agreement.

Generally, that would be good news as members of both parties pull together to support farmers in their districts and states. But in this case, it is bad news because neither side has the best interest of crop farmers in mind. The enhancements that the leadership of the Congressional agriculture committees have generally agreed on will do little for farmers who soon will be facing reluctant bankers in tense discussions over 2019 farm operating loans.

Right now, the three most important problems crop farmers are facing price, *price,* and **price**. Get the price near or above the full cost of production and the other farm challenges become manageable.

The problem: no one in Congress wants to touch the price issue with a ten-foot pole. There is no farm income supplementation program that will provide farmers with the revenue they need to survive.

Crop insurance won't work. The lower the price goes, the lower the level of protection farmers are offered.

ARC and PLC won't work no matter how enhanced they are because even though the reference price is at historic levels, the payments will be paid on only a portion of production. And, that will not work for a large number of farmers.

The trade supplementation program will not work. There is not enough money in the program to get farmers through one year, let alone multiple years.

Any other kind of program that would shovel enough money to farmers to make them near whole would a) break the bank (federal budgetary limits), b) exceed the US Yellow Box limits under World Trade Organization rules, and c) result in the massive dumping of US crops on world markets at prices well below the full cost of production.

Talk about trade disputes, supplementing US Farm income at the level needed would trigger more trade challenges than you can shake a stick at.

Even without the current trade dispute with China and the retaliatory tariffs, there is NO WAY that we can export our way to prosperity. We have repeatedly tried to do that since the late 1970s and it hasn't worked. Except for soybeans, exports have generally been below their 1979-1981 levels.

The 1985 Farm Bill, in its attempt to "recapture 'lost' US crop exports" through a sharp reduction in loan rates, didn't work as advertised.

Neither did Freedom to Farm (the 1996 Farm Bill) and its "taking the handcuffs off farmers wrists" by eliminating the setaside program.

So, what are we to do?

A couple of things could help in the short-run: one we have some control over and the other we don't.

The move to allow for an E-15 blend (15 percent ethanol, 85 percent gasoline) will provide some temporary help, but the shift would have to be mandatory and sudden for it to be effective. If moving from E-0 to E-10 did not provide lasting price support for crops, for sure moving from E-10 to E-15 will have an even shorter impact. We are not arguing against E-15. We're just saying its impact will be temporary at best.

A widespread drought like we saw in 2012 would work in the short-run, but we have no control over that, so having to pray for a drought is a poor policy option.

That leaves us with the one option that no one wants to touch, even though it will work at minimal cost and will entail limited market interference—supply management. For the sake of farmers, we think it is an option worth ruffling a few feathers. We know that Pat Roberts will take it as a repudiation of his work on the 1996 Farm Bill. And, on the other side of the aisle, Colin Peterson, who was at least sympathetic to the idea at one time, shows no interest today, though his reputation is not at stake.

But, in the end it is not about the feelings of members of Congress. It is about the survival of a significant number of farmers and the vitality of the US farm sector.

If tomorrow Congress were to do the unthinkable: 1) eliminate the LDP program, 2) set the loan rate at close to the full cost of production for corn and at the long-term price ratio with corn for other crops, crop prices would turn on a dime.

Even if only 10 to 20 percent of farmers were to put their crops under loan, the MARKET price would rise above the loan rate and farmers could meet with their bankers with confidence that they would be profitable this year and in coming years as well. In addition, the cost would be significantly lower than under a continuation of the current programs.

At that point, if the trade dispute with China lingers, Brazil increases its soybean acreage (in the works), and animal feeders reduce the protein levels being fed to their animals (been happening for some time now); crop agriculture would remain profitable, as long as within a year or two Congress were to institute a voluntary, environmental acreage reduction program.

It seems to us that Congress likes to travel farm program dead ends even though a logical path is available.

Policy Pennings Column 948

Originally published in MidAmerica Farmer Grower, Vol. 37, No. 194, November 2, 2018

Dr. Harwood D. Schaffer: Adjunct Research Assistant Professor, Sociology Department, University of Tennessee and Director, Agricultural Policy Analysis Center. Dr. Daryll E. Ray: Emeritus Professor, Institute of Agriculture, University of Tennessee and Retired Director, Agricultural Policy Analysis Center.
Email: hdschaffer@utk.edu and dray@utk.edu; http://www.agpolicy.org.