



Agriculture

The Issue

Agricultural policy does not merely affect farmers. It affects everyone because, after all, everyone eats. It is a broad, sweeping issue that affects Americans buying food for their families, and businesses that produce and distribute the food to consumers. Unfortunately, federal government intervention in the food and agricultural sector is far too prevalent.

One of the primary issues in agricultural policy is federal farm subsidies. There is a misconception that these subsidies primarily exist to help farmers when they experience crop losses—a “safety net” for major losses connected to natural disasters. Yet, the subsidies are instead an out-of-control corporate welfare system that primarily insulates a small number of large agricultural producers from competing in the marketplace. It is easy to see that agricultural producers can flourish without such harmful government intervention: Most U.S. agricultural producers, just like other businesses, do not receive special taxpayer handouts to help them compete.

Excessive federal intervention affecting food and agriculture does not end with farm subsidies. Recent trade disputes, such as those with China, have led to significant retaliatory tariffs on agricultural goods. This makes it more difficult for farmers to export their goods and reduces the selection of high-quality and low-cost food options for consumers.

Major environmental regulations trample on the property rights of farmers and ranchers and continue to hamper their ability to produce food (see the Environment chapter for more on these regulations). These regulations often reflect federal agency overreach that can block ordinary farming activities or discourage farmers from even trying to engage in such activities out of fear of civil and criminal penalties.

Increasing federal control over the food that people eat (even to the extent of hindering food innovation that would better meet consumer demand) is an alarming trend. Federal policymakers have taken steps to unduly influence or restrict personal dietary decisions, failing to respect the basic individual freedom of choosing what foods to eat. These harmful efforts reflect an arrogant assumption that federal bureaucrats know what people should eat, without regard for the complexity of diets and respect for individual choices, not bureaucratic preferences.

Too many policymakers simply defer agricultural policy to legislators serving on agriculture committees or to those with large farming constituencies. If the country

is going to reduce this federal intervention, which distorts markets, wastes taxpayer dollars, and limits freedom, then *all* policymakers should take a proactive stand to promote the principles of free enterprise and limited government in agriculture.

Recommendations

Stop paying farmers twice for revenue and price losses in the same year.

Agricultural producers can receive support from the Agricultural Risk Coverage (ARC) or Price Loss Coverage (PLC) programs *and* the federal crop insurance program to cover price declines and revenue shortfalls in the same year. In years in which farmers receive a crop insurance indemnity to help with revenue, the U.S. Department of Agriculture (USDA) should not also provide them an ARC or PLC payment. It is duplicative, unnecessary, and wasteful to force taxpayers to also provide those same producers with more than one federal revenue-related payment in the same year.

Reduce the premium subsidy rate for crop insurance from an average of 62 percent to 50 percent or lower. Taxpayers should not be paying more for the cost of premiums than the farmers who actually benefit from the crop insurance policies. Both the Trump Administration and the Obama Administration, as well as the Government Accountability Office, have all recommended reducing the premium subsidy. The Congressional Budget Office has identified reducing the premium subsidy to as low as 40 percent as an option to reduce the federal deficit. When analyzing a 47 percent premium subsidy, the Congressional Budget Office found that it would save taxpayers \$8.1 billion over 10 years. It also would have very little impact on crop insurance participation. There would be a reduction in insured acres of just one-half of 1 percent and only 1.5 percent of acres would have lower coverage levels.

Eliminate the sugar program. The federal sugar program intentionally drives up food prices by limiting the sugar supply. As would be expected, American sugar prices are consistently higher than world prices, hurting American consumers and workers in industries that use sugar to manufacture goods. The program costs consumers about \$3.7 billion a year, and there is a disproportionate impact on the poor because a greater share of their income goes to meeting food needs compared to higher income households. Sugar producers and processors should compete in a free market, as other businesses do, without price guarantees, supply restrictions, import quotas, and other government intervention.

Separate food stamps from agricultural programs. For decades, Congress has passed farm bills by combining food stamps with agricultural programs. This unholy alliance has existed entirely for political purposes to help push through legislation. The presumption is that rural legislators will push for farm subsidies and that urban legislators will push for food stamps. Separation is the prerequisite for real reform of agricultural policy because, like food stamps, agricultural policy needs to be addressed on its own merits. Congress should consider food stamps and agricultural programs in

two separate bills, and the programs should be authorized on staggered schedules so that there is no potential for overlap in the future.

Free agricultural trade from government intervention. Trade is often discussed in connection with how it affects countries, but trade as a general matter is about the freedom of individuals and businesses to voluntarily exchange goods and services with customers. American farmers and ranchers, like other businesses, should be free to sell to customers all over the world. Further, consumers should be free to purchase goods and services that best meet their needs, regardless of national origin. Government-imposed barriers, such as tariffs, undermine these freedoms. To address unfair practices, the United States should use the World Trade Organization (WTO) dispute-settlement system instead of relying on tariffs. In fact, one of the most important benefits of the WTO is having a legal venue to challenge foreign trade barriers.

Stop federal efforts to control or change individual dietary choices. From Obamacare's mandatory menu-labeling requirements to the U.S. Food and Drug Administration's (FDA) de facto ban on artificial trans fats, federal government intrusion into the dietary choices of Americans is growing. Underlying these mandates is the arrogant presumption that individuals make misinformed choices, and that the government must therefore guide, or even compel, the public to make the "right" choices. Congress should respect that most basic and private aspect of Americans' lives: food choices. This should include, for example, repealing the menu-labeling law, or at a minimum stopping the FDA's overreach in its implementation. Even though the law applies to "restaurants and similar retail food establishments," the FDA is using it to regulate grocery stores, convenience stores, movie theaters, and other businesses that no reasonable person would think are similar to restaurants. Congress should also clarify that the FDA's role in food safety should not be conflated to mean that the agency's safety responsibilities include nutrition.

Do not block innovation in the food and agricultural sector. Congress ignored the science when it mandated misleading food labels that suggest that food using genetically engineered crops is somehow less safe than non-genetically engineered counterparts. Efforts on both the state and the federal level (including at the FDA) are making it difficult for producers of new products such as plant-based alternatives to dairy products, and plant-based and cell-based alternatives to slaughtered meat, to accurately convey the nature of their products to consumers. For example, products such as almond milk, which have long used the term "milk" in the name to help inform consumers (and have had no problems with consumer confusion), might no longer be able to utilize the dairy-related term. Congress needs to repeal the genetically engineered food labeling law and should ensure that the government is not creating protectionist schemes, such as name restrictions, to hinder the sale and development of food products that appeal to consumers.

Facts and Figures

FACT: While agricultural special interests try to perpetuate the myth of the struggling small farmer in order to help justify government intervention, farm households in general are much better off than non-farm households.

- In 2016, the median household income for all farms was \$76,000, which is 29 percent greater than the median income for all U.S. households (\$59,039). The median farm household wealth for all farms was \$897,000, which is nine times greater than the median household wealth for all U.S. households (\$97,300).
- Commercial family farms (a classification that includes midsize, large, and very large family farms), which received 69 percent of commodity payments and 78 percent of crop insurance indemnities, had a median household income of \$167,000 or more in 2016.
- Commercial family farms and moderate sales farms, which received 80 percent of commodity payments and 85 percent of crop insurance indemnities, had a median household wealth of \$1.7 million or more in 2016.
- Large family farms, which received 32 percent of commodity payments and 34 percent of crop insurance indemnities, had a median household income of \$347,000 (about six times the median income for all U.S. households) and had a median household wealth of \$3.8 million (about 39 times the median wealth for all U.S. households) in 2016.

FACT: Most farmers and most commodities receive very little to no subsidies, and if they do receive assistance, it is generally to help with actual crop losses.

- However, a small number of farmers growing a small number of commodities receive almost all of the farm handouts, generally for revenue and price protection, not for actual crop losses.
- Commercial farms, which include the largest family farms, accounted for just 10.1 percent of all farms, yet received 73 percent of commodity payments and 83 percent of crop-insurance indemnities in 2016.
- There are entire sectors of the farm economy, such as livestock and specialty crops (fruits, vegetables, nuts), that receive few if any subsidies, especially when it comes to revenue-protecting subsidies.
- According to the Congressional Research Service, from 2014 to 2016, just six commodities (corn, wheat, soybeans, cotton, rice, and peanuts) received 94 percent of the farm program support, but these six commodities accounted for only 28 percent of farm receipts.

FACT: For many American farmers and ranchers, agricultural trade is a necessity, since they produce more than they can sell domestically.

- According to the U.S. Department of Agriculture, 95 percent of the world's consumers live outside the United States.

- From an economy-wide perspective, according to the USDA's Economic Research Service, in 2016, agricultural exports created an additional \$172 billion in economic activity and over one million full-time jobs.
- The Economic Research Service states that "U.S. consumers benefit from imports because imports expand food variety, stabilize year-round supplies of fresh fruits and vegetables, and temper increases in food prices."
- In 2016, Mexico and Canada were the largest and second-largest agricultural importing countries for the U.S., respectively. The total imports from Mexico and Canada were greater than the next 16 countries *combined*. In 2015, both countries accounted for an astonishing 56 percent of the fruit and vegetable imports to the U.S. (Mexico accounted for 44 percent).

Additional Resources

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