 By Daryll E. Ray

Rethinking US Ag Policy

Our office, the Agricultural Policy Analysis Center at the University of Tennessee (APAC), recently released a publication, "Rethinking US Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide." My colleagues, Dr. Daniel De La Torre Ugarte and Dr. Kelly Tiller joined with me in co-authoring this paper.

For the regular readers of this column, much of what we say will be of no surprise. In this paper we argue that U.S. government farm policy is contributing to the growing crisis in the worldwide agricultural sector.

U.S. farm policy has abandoned market stabilization tools in favor of production and trade liberalization with disastrous results. Because crop agriculture does not quickly self-correct like other industries, the elimination of supply management tools in recent U.S. farm legislation has led to record-low farm prices and record-high government payments of nearly $20 billion per year to American crop farmers. This cheap-grain policy has benefited multinational agribusiness firms, large livestock operators, and importers—not crop farmers, who now sell grain below their cost of production.

As a result, foreign competitors charge us with dumping excess U.S. production on world markets for less than the cost of production. This, in turn, ratchets up the cost of competitors' farm programs and damages the agricultural economies of developing countries. The outcome of this 'race to the bottom' is certain: all farmers around the world will lose.

The report goes on to say that since 1996, when the Freedom to Farm legislation was enacted, world prices for America's four chief farm exports (corn, wheat, soybeans and cotton) have plunged more than 40 percent. Farmers from the U.S. to Peru, from Haiti to Burkina Faso have harvested poorer incomes, hunger, desperation and migration. Today, global agriculture faces a crisis.

In this report we offer a strategy for improvement. We recommend that failed policies be replaced with legislation that includes a combination of three policies: (1) acreage diversion through short-term acreage set asides and longer-term acreage reserves; (2) a farmer-owned food security reserve; and (3) other price support mechanisms.

If this strategy is followed, our computer model predicts total cropland planted to the eight major U.S. crops will drop by 14 million acres in the first year, while prices for the major commodities will increase between 23 and 30 percent. Net farm income will then rise resulting in a decline in government payments of more than $10 billion per year. Also, these "farmer-friendly" policies will limit future asset consolidation, reinvigorate farmer investment in agriculture and eliminate global concerns about commodity dumping.

What we have offered is not a farm bill proposal, rather it's an analysis and a discussion of one possible solution to the serious problems facing farm families and their communities worldwide.

Copies of this report can be obtained on the APAC website at http://www.agpolicy.org/blueprint.html. The research was sponsored by Oxfam America and is endorsed by several farm and commodity organizations.

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