

Coalition of farmers and consumers required for an effective 2018 Farm Bill

In the run-up to the 2014 Farm Bill, one of the strategies of those who for various reasons wanted to make it easier to reduce the cost of the farm bill was to split the agricultural portions of the legislation from the nutrition portions. The rationale was that they drew on two different constituencies and addressed two unrelated problems.

The rationale of the proponents of splitting nutrition from agriculture was that the combination was simply a boondoggle designed more than a half-century ago to garner more votes than either portion could draw on its own—agriculture with a rural constituency and nutrition with an urban constituency. From that vantage point, it was the old divide and conquer strategy, allowing the cost of each program to be cut.

The US House of Representatives adopted this strategy and split the farm bill into two pieces of legislation. In response, farm and nutrition interests put their rivalries aside and together they pressured the Senate into keeping the farm bill intact. When the legislation went to conference committee, the Senate version prevailed, though some compromises were made on the specifics of individual programs within the farm bill.

With the convening of a new Congress after last fall's election, various groups have begun to discuss the nature of what is hoped to be the 2018 Farm Bill—farm bills often take extra time to secure the support necessary for adoption. At this point in time, it is unclear whether or not someone will make another attempt to separate the farm and nutrition portions of the farm bill.

Anticipating that some might be tempted to adopt this strategy, we want to argue that including nutrition and agricultural policy in a single legislative act is more than a marriage of convenience; there is some economic logic behind the combination.

As we have previously argued, aggregate food demand is coercive. People cannot exit the aggregate market for food without experiencing life threatening consequences. While a given person can avoid the purchase of a smartphone, music CDs, and gold with few consequences, the failure to acquire food results in death. Not only that, food must be acquired on an ongoing basis.

When the price of food skyrockets, humans cannot wait for a lower price before reentering the market. They need to eat on a regular basis. Rising costs can cause them to switch to lower cost substitutes, pork for beef or chicken for pork, but they need to acquire a minimal number of calories with the proper protein and nutrient profile in order to maintain their health.

The long-term failure to acquire an adequate diet results in malnutrition and/or death, depending on the level of nutritional deprivation.

It is this coerciveness of food as a market good that results in what economists call a low price elasticity of demand. When food prices fall, people do not go from eating three meals a day to four or five. Likewise, when prices rise, they seek out strategies to keep from reducing their consumption to two meals a day, though that does happen.

The low price elasticity of demand also affects agricultural producers. When farmers produce more than consumers demand at a given price, they cannot lower the price and clear the market. The result is that the excess production remains on the market, dragging prices downward for an extended period of time.

This would be of little consequence to farmers if they reduced the amount they produced in the subsequent time period, but for well-documented reasons that does not happen. The result

for farmers is long periods of below the cost-of-production prices, punctuated by short periods of high prices.

Both consumers and producers are affected by the low price elasticity of demand. Consumers are adversely affected by a spike in prices while farmers are adversely affected by long periods of low prices since total agricultural production declines little in the face of low prices as well. For a portion of the populace, even low farmgate prices do not give them the opportunity to access a nutritionally adequate supply of food.

A well-designed farm bill should include measures to protect consumers against a short-supply that results in a rapid increase in food prices while protecting producers against long periods of low prices combined with a nutrition program for those excluded from the market even when farmgate prices are below the cost of production. Without this kind of policy, the impact of the coerciveness of the aggregate food consumption shifts back and forth between farmers and consumers, to the benefit of neither side and exposes some consumers to significant nutritional risk.

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