PolicyPennings by Dr. Daryll E. Ray

Food pyramid: A basis for commodity policy?

Much of the response to USDA's recently released revision of the food pyramid is predictable. Whether it is viewed as (1) a tool of the food industry, (2) too confusing, or (3) a needed and helpful revision that reflects the diversity of needs within the US population seems to depend on the prior agenda of the speaker.

There was one response, however, that you might not expect. It came in a May 2, 2005 "Chicago Tribune" article by Andrew Martin titled "USDA's subsidies ignore its own dietary advice." Martin's thesis is what the USDA "urges people to eat to remain healthy does not match what it pays farmers to grow."

He notes that "Corn and soybeans receive a good chunk of the $15 billion in subsidies to farmers that the Agriculture Department is doling out this year. And while that might seem logical because the food pyramid advocates a plant-based diet, most of the corn and soybeans grown in the United States are used to fatten cows, pigs and chickens, while the pyramid recommends that consumers eat more fish and beans. Corn and soybeans also are used to make artificial sweeteners and partially hydrogenated oils that the food pyramid urges Americans to avoid."

If the basic purpose of US direct farm payments were to subsidize consumers, there could be good reason to hop on Martin's bandwagon. But, as regular readers of this column know, that is not the basic purpose of US farm programs. There are agricultural and food related expenditures that do benefit, directly and indirectly, consumers including taxpayer funded research and extension and a whole host of food safety and food subsidy programs. But consumers are not the primary target beneficiaries for commodity programs. Let us take a moment and see what the article suggests as the purpose of farm programs.

The article paraphrases a comment by former Rep. Charles Stenholm, D-Texas: "He said the only justification for farm subsidies is to increase production of a crop or to level the playing field in the international marketplace." The reality is that the large government payments for the 1998-2001 crop years came about not to stimulate production but to compensate farmers for extremely low prices. Even though the value of direct payments were in the $20 billion range in those years, aggregate production for the eight major crops remained relatively constant, with weather being the deciding factor.

Another argument made begins with the idea that farm programs are programs that were initiated during the depression "to give temporary relief to farmers for low commodity prices" and goes on to point out that "once you provide a taxpayer benefit, you develop a constituency." This argument suggests that farm programs are continued simply because farmers and their supporters have the political muscle to keep the money flowing even though those who make this argument contend it is no longer needed.

A third argument is that fresh fruit and vegetable producers do not receive farm program benefits and if one were to follow the food pyramid guidelines they are the ones who should receive the funds. While it is true that fresh fruit and vegetable producers do not receive direct payments like commodity producers do, they do benefit from a number of government programs.

Many fresh fruit and vegetable crops have government coordinated marketing orders that influence how much comes to market. By controlling the amount of product that is fed into the commercial food supply, the setting of standards does function to manage supply and maintain prices. In addition, fresh fruit and vegetable producers benefit indirectly from commodity program provisions. Prior to the 1996 Farm Bill, farmers who grew program crops needed to maintain base acres and as a result they stayed away from fruit and vegetable production. Under the 1996 and 2002 farm bills, farmers lose benefits on any acres they convert to fresh fruit and vegetable production.

Scientific evidence suggests that increased consumption of fruits and vegetables likely has numerous nutritional and health benefits. But it might be well to look before leaping to policy conclusions.

Suppose fruits and vegetables were made "program crops" or in some other way were made fully eligible to be planted anywhere anytime under an unrestricted planting flexibility clause. More acreage would be planted to the expanded list of crops. We could expect fruit and vegetable net returns to be driven down to near the net returns of the next most-profitable major-crop, say corn. Fruit and vegetable farmers would be among the recipients of decoupled payments or payments to help compensate for reduced prices.

While the crop mix would change until net returns were comparable among the expanded list of crops, aggregate crop acreage and total crop production would be virtually unaffected. Hence, agriculture's fundamental problem would remain unaddressed since the aggregate quantity supplied by all farmers and the aggregate quantity demanded by consumers would remain relatively fixed regardless of price.

As we see it, the fundamental problem of simply reorienting commodity policy to be consistent with the food pyramid is that it does not address the lack of price responsiveness in aggregate agriculture. And "it's price responsiveness" of aggregate crop agriculture that we believe should come to the top in a commodity policy proposal's motivation and ameliorating provisions.

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