Clever money delivery systems

When the new Congress convenes in January, one of the tasks they will be faced with is the passage of a farm bill. Some groups are angling to extend the current legislation for a couple of more years so that they can see what happened with World Trade Organization (WTO) trade negotiations. Failing an extension of the current legislation they are lobbying hard for farm legislation that will include all of the major elements of the current policy—direct payments, loan deficiency payments/ marketing loan gains, and counter-cyclical payments—with only minor tinkering around the edges.

In either case they want to use the discussion over subsidies as leverage to wrest additional concessions out of our agricultural export competitors. They are loathe to give up what they see as their best bargaining chip in the WTO negotiations.

Others are calling for the use of the budget allocations for the current programs in ways that they assert will protect US farmers from WTO trade challenges. The recent cotton case won by Brazil identified elements of current policy that might make other crops vulnerable to a trade disputes panel challenge.

In an attempt to preempt potential challenges they are calling for the use of subsidized revenue insurance programs and/or green payments as money delivery systems to maintain the current levels of farm income.

With regard to green payments a recent Congressional Research Service report said, "A shift from commodity subsidies to green payments is seen by some as attractive because it could provide a new mechanism to support farm income, forge a stronger link between conservation and farm income objectives, and still comply with WTO obligations if the program is not considered to be production and trade distorting."

As we watch the parade of proposals to replace the current commodity programs, it appears to us that many of these proposals are variations on a theme. The theme begins by ignoring the inherently variable nature of crop production with the low price responsiveness on the part of both food consumers and farmers. Having ignored the original rationale for farm programs, they then offer a clever money delivery system that will placate farmers, will be more appealing to non-farm interest groups, but will create a huge hole in agriculture's safety net.

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