



# Rethinking US Agricultural Policy: Changing Course to Secure Farmer Livelihoods Worldwide

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## Executive Summary

For more than a century, U.S. farm policy has been driven by two engines. The first was government investment in research, extension, technology, credit and marketing to assist farmers in agricultural production. The second, which arrived later, was government willingness to intervene in the marketplace to stabilize prices and ensure farm income.

In the last decade, however, the focus of U.S. farm policy has shifted as government abandoned historical market stabilizing tools in favor of “decoupled” programs and trade liberalization. The results have been dramatic, especially since 1996 when these policy shifts were formalized in Freedom to Farm. Since then, U.S. crop exports have remained flat or declined, farm income derived from the marketplace has fallen dramatically, government payments to farmers have skyrocketed, and consolidation and corporate integration of farm assets in ag sectors such as livestock have reached record levels.

The consequences of the policy shift have been global, making American ag policy a lightning rod for governments and producers around the world. Since 1996, world prices for America’s four chief farm exports—corn, wheat, soybeans and cotton—have plunged more than 40 percent. In their wake, 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.

The crisis is no accident. While it is important to continually expand food production capacity, elimination of tools to manage that ever-increasing capacity inevitably produces disastrous results. Crop agriculture does not quickly self-correct like other industries. Neither total crop demand nor total crop supply responds much to changes in prices. Without timely self-correction, the elimination of supply management tools in recent U.S. farm legislation has led to record government payments of nearly \$20 billion per year to American farmers. Foreign competitors charge America with “dumping” excess U.S. production on world markets for less than the cost of production which, in turn, ratchets up the cost of competitors’ farm programs and damages the ag economies of developing countries. The outcome of this “race to the bottom” is certain: all farmers around the world will lose.

Today’s global ag economy may be broken, but it can be fixed. It is time to replace the failed policies of the present with policies that can increase market prices to a reasonable and sustainable level and effectively manage excess capacity in U.S. agriculture. An illustrative policy blueprint could include a combination of (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. A simulation model using those tools shows total cropland planted to the eight major U.S. crops drops by 14 million acres in the first year, prices for the major commodities increase between 23 and 30 percent, net farm income rises while government payments fall by more than \$10 billion per year. Such “farmer-friendly” policies will limit future asset consolidation, reinvigorate farmer investment in agriculture and eliminate global concerns for American commodity dumping. In short, farmer prosperity in the U.S. and world is not only possible, it is achievable.