Regulations, exports and death taxes, important issues all, but what about low farm prices?

Recently a friend of ours told us about the farm bill listening session he attended during the August Congressional break. He expected the bulk of the comments would focus on the problems farmers are facing as the result of nearly four years of low commodity prices. Instead, he said, the bulk of the discussion focused on three issues: decreasing regulations, increasing exports, and eliminating inheritance taxes.

These three issues are a good place for us to start as we embark on a series of columns laying out our analysis of farm policy instruments that will help farmers weather extended periods of low prices and stay out of the way when prices are above the cost of production.

Regulations are a double-edged sword for most of us. When they impose a cost on us or inconvenience us even a little, we grumble about ridiculous rules and regulations. But, let us be harmed by the actions of another party, be it an individual or a commercial entity, and we are quick to tell everyone who will listen, "there ought to be a law!"

The Waters of the US set of regulations has drawn the ire of many farmers. The idea that the federal government wants to regulate agricultural practices that result in the flow of soil and/or farm chemicals into downstream waters that impose costs on other parties may seem like a bit of regulatory overreach.

But let a sprayed farm chemical drift onto your field from a neighbor's operation and who is the first one to want to sue the neighbor, the local supplier of the farm chemical, and the chemical's manufacturer? Who is the first one to complain that the approval of the chemical was too lax and the relevant government agency wasn't doing its job?

Regulations have their place in modern society. They deal with issues that can only be properly handled at a state or national level. The amount of harm caused by one acre might not amount to much, but when we talk about hundreds of millions of acres, that is a different story.

Many agriculture-related activities result in unpriced externalities like the loss of soil and farm chemicals as well as animal waste into the nation's waterways. Regulations have the effect of placing a price on those activities and creating a more level playing field for all participants in the marketplace.

Exports are important to US agriculture. From the establishment of the earliest European colonies on this continent, exports have been important. And, they are no less important to farmers today. Depending on the agricultural product, the importance of exports can range from relatively minimal to critical.

But in the context of the farm bill and today's low prices, the implication is that with a "level playing field" the US can export its way to profitable farm prices and prosperity. If that had proven to be true in the past, we would be the first to jump on the bandwagon and focus on fine tuning US agricultural export policy, but it hasn't.

The boost in agricultural exports during WWI, dwindled in the post-war years as European farmers were able to get back into their fields. At the end of the war, US agriculture began to experience a depression ten years before the rest of the nation.

Likewise, the boost in exports during WWII did not last and farm policy was needed to deal with low farm prices. In the 1980's the US tried to recapture export levels that were initially triggered by the entry of the Soviet Union into the world grain market in the mid-1970s. Congress did that by reducing the loan rate and subsidizing exports with a combination of financial incentives.

In the end, exports did not usher in an agricultural “golden era” as farmers in other nations focused on feeding their own people. In that way, they felt the same way US farmers feel about meeting the food needs of their domestic market.

While inheritance taxes, called “death taxes” by some and “silver spoon taxes” by others, capture the attention by some farm organizations, the Tax Policy Center estimates that in 2017, 50 small farms and businesses out of 2.7 million estates nationwide will be subject to estate taxes. In 2017, the exemption from estate taxes is $5.49 million for an individual and $10.98 million for a couple.

Given the small number of farm estates subject to the estate tax and the high exemption level makes it difficult to understand the amount of attention these farm organizations pay to this issue.

From our perspective, these issues pale in comparison to the issue of low farm prices. Estate taxes affect fewer than 50 small farm families each year while low prices affect every crop farmer. In the 1998-2001 period, below-the-cost-of-production crop prices did not increase US exports, they hurt farmers in the US and around the world. And, while farmers grumble about environmental regulations, it is doubtful that they would want to trade their regulation regime for the environmental regulations imposed on off-farm businesses and municipal governments.

Policy Pennings Column 889

Originally published in MidAmerica Farmer Grower, Vol. 37, No. 135, September 15, 2017

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