Eliminating the Farm Bill as We Know It


INTRODUCTION

• Farm income and price support programs won’t die, but could fade away. Five+ year transition program likely?

• Decoupled direct payments could become program of choice due to WTO, but not well suited to commercial farm problem of income instability

• “Public goods” programs of soil conservation, water quality, research, grades, standards, and food provision and safety are assumed to continue in following comments

IMPACT OF “NO PROGRAMS” ON FARMERS

• Payments drop $15-$20 billion

• Output drop 3%, raise prices 6% and receipts $9 billion for net loss of $6-$11 billion

• Farm real estate value declines 20%

• Largest relative impact on sugar, rice, wheat, and cotton—hence on South. Absolute impact large on feed grains.

• Livestock impact largest on dairy, but feed cost up overall

• Largest crop farms vulnerable because financially leveraged and dependent on farming. But also efficient. As predominantly renters, large operators will quickly pass lower returns to landowners

• Small farms protected by off-farm income

• Mid-size farms with sales of $50,000 to $500,000 most affected

• Might lose 10% of farms, but many of those would have left eventually
• Rate of return on investment: Initially down but unaffected in about 5 years. Farmers adjust resources to 4% real return on land

• Losses eventually accrue to landowners. Net income of operators after paying full land cost unaffected by government programs in longer run

• Cash flow: Less rent and land cost ease entry for new operators.

• Risk: Farmers face more risk but not clear-cut

• If world liberalized commodity programs and trade, world farm commodity prices rise 10% to erase much of pain to U.S. farmers

IMPACT OF “NO PROGRAM” ON NATION
• Economic efficiency: Add $6-$12 billion to national income (Amount by which loss to taxpayers currently exceeds gain to farmers from programs.)

• Economic equity: Income of farm households 15- 35% over that of nonfarm households. Farm net worth more than double that of nonfarmers/ household. The 7% of farmers who receive 70% of program benefits have wealth in multiples of that of nonfarmers

• Food cost up slightly but more than offset by lower taxes

• Rural communities: Few depend on farming. Other help more cost effective

• Food self-sufficiency: Plenty of reserve in other countries, livestock slaughter, less ethanol, etc.

• Fiscal responsibility: Help to balance federal budget

• Family farm preservation: Lose farms in short run, not in long run

• Less competition to farmers in poor countries

With fewer cropped acres, less soil erosion and better water quality