

Chicago Council on Global Affairs Agriculture Task Force Report

Robert L. Thompson

Gardner Endowed Chair in Agricultural Policy

University of Illinois at Urbana-Champaign

March 13, 2007

Chicago Council on Global Affairs

- Founded in 1922 as the Chicago Council on Foreign Relations
 - Often confused with New York-based Council on Foreign Relations
 - Changed name September 1, 2006
- An independent nonpartisan organization committed to influencing discourse on important international issues and their bearing on American foreign policy
- Periodically sponsors independent task forces
 - “when an issue of current and critical importance to U.S. foreign policy arises on which a group diverse in backgrounds and perspectives might be able to reach a meaningful consensus on a policy through private and nonpartisan deliberations”

CCGA Agriculture Task Force

(September 2005 through September 2006)

- Co-chaired by Catherine Bertini, Gus Schumacher and Robert Thompson
- 30 members included:
 - 4 former members of Congress
 - 1 former Secretary of Agriculture and 7 former USDA Assistant and Under-Secretaries
 - Farm organization leaders, food and agribusiness company executives, non-governmental organization and trade association executives, and academics

Farm Programs Aren't Achieving their Stated Objectives

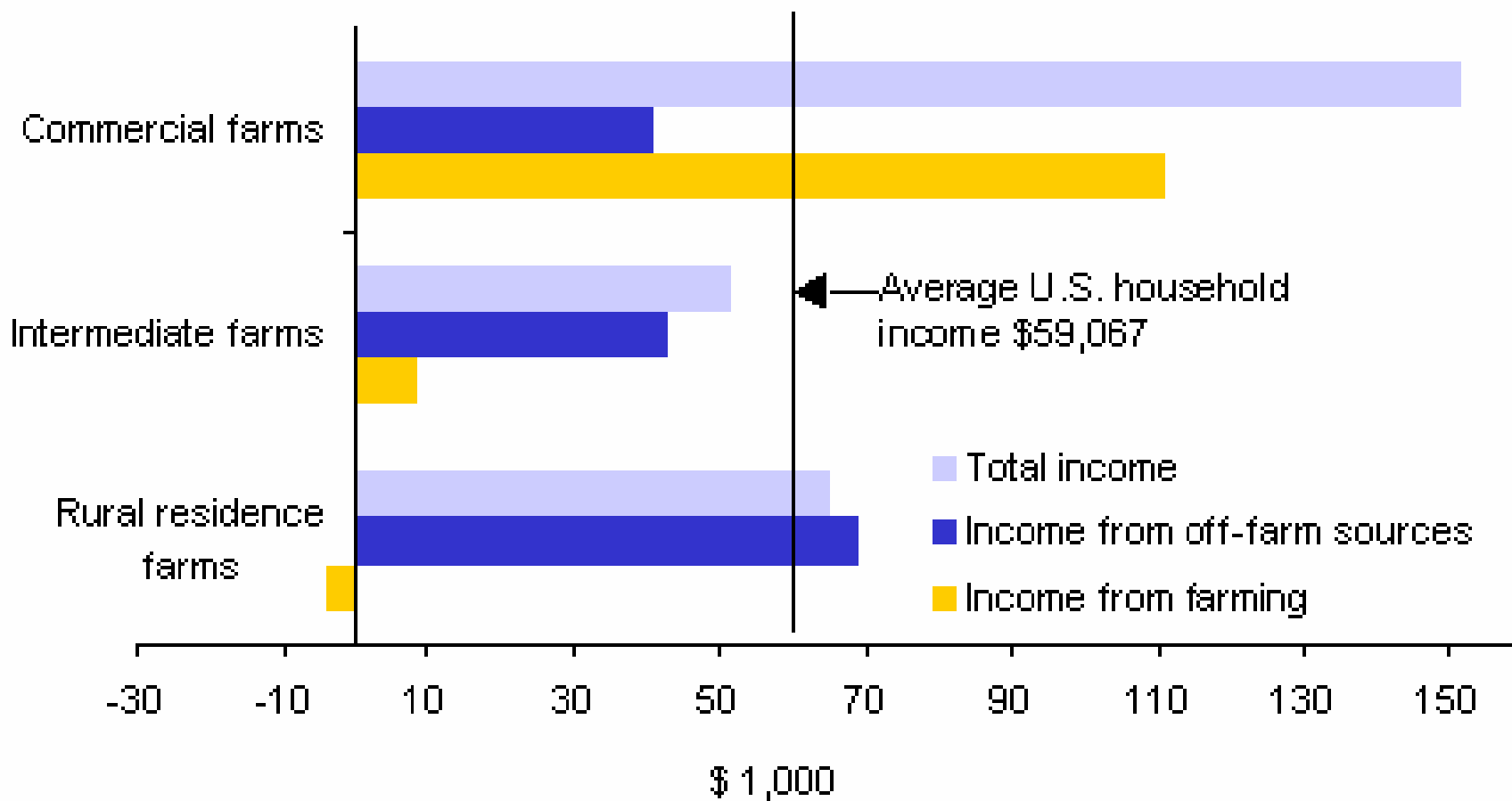
- Low farm family income
 - Most payments go to larger producers whose family incomes & wealth are well above average
 - Low income farmers receive very little from programs
- Variability of farm income
 - Farmers have income averaging, cash accounting & futures markets
- Increase competitiveness
 - Capitalization of payments into land values raises U.S. cost of production and undercuts international competitiveness
 - Public investments in agricultural research declining
- Food security
 - Not a credible problem when U.S. ag grows 1/3 more than we use domestically; food insecurity is due to lack of income, not prod'n.
- Rural development
 - Payments facilitate consolidation; don't create more jobs

Size Distribution of U.S. "Farms," 2003

Size in \$ thousand	Thousand farms	% of all farms	% with payment	Ave \$/ pay farm (000)
<10	1,227	58	20	2
10-49	398	19	53	6
50-99	172	8	71	10
100-249	165	8	78	19
250-499	86	4	78	34
500-999	45	2	70	55
>1000	29	1	56	82
All	2,123	100	39	13

Source: USDA ERS

Sources of operator household income by typology group, 2003



Source: 2003 US DA *Agricultural Resource Management Study*.
Economic Research Service, USDA.

U.S. Producer Support, 2000-2004

(% of gross revenue provided by all support)

Sugar	53-62
Milk	38-56
Rice	18-52
Sorghum	30-47
Wheat	22-48
Barley	20-42
Corn	13-34
Soybeans	14-28
Wool and lamb	05-26
Pork, beef and broilers	04-05
Overall	15-24

Source: OECD PSE database

Two Fundamental Philosophical Questions in Writing 2007 Farm Bill

- Of the Federal dollars allocated to agriculture and rural America, how much should go to farmers as individuals & how much should be invested for the greater good of agriculture and rural America?
- Of the fraction that goes to farmers as individuals, how much should be linked to the production of *specific* commodities & how much should be decoupled from what the farmer produces?

A. Growing New Markets

- Exports are critical to U.S. ag profitability.
 - Need to get Doha Round back on track and brought to conclusion
 - Need successful development round: Low income countries are the only potential growth markets.
 - Much good is agreed already, but U.S. has to reduce its trade-distorting ag supports.
 - Need to extend Trade Promotion (“fast track negotiating”) Authority
- Immigration reform and investments in research & infrastructure essential for continued U.S. ag competitiveness

B. New Regime for Domestic Support

- Regardless of what happens in Doha, U.S. should decouple its commodity-specific support from production of any *specific* commodities (i.e. from “amber box” to “green box” in WTO terminology) during 5-year life of 2007 Farm Bill.
- The task force did *not* recommend any reduction in Federal support for agriculture and rural America, although it did not anticipate that rural America could reasonably expect any increase in Federal resources in the current budget situation.

B. Domestic Support (cont'd)

- Farm safety net
 - A subsidized universal whole-farm revenue insurance program covering all commodities
 - Replace marketing loans, LDPs, CCPs, crop insurance subsidy and disaster payments
 - Tax-deferred 401(k) farmer savings account with government match
- Conservation payments on working lands
 - Per acre with strong environmental cross-compliance (a la EU)
- Transition direct payments (buy-outs, etc.)
 - To blunt cost of adjustment and neutralize political opposition from big losers

B. Domestic Support (cont'd)

- Redeploy 20% of present trade-distorting support that now goes to individual farmers into investments for the greater good of rural America:
 - Agricultural research
 - Rural infrastructure
- This is in addition to increased investments recommended below in stewardship and conservation programs.

C. Balancing Hunger & Nutrition

- Given epidemic of obesity and diabetes in the U.S., Federal anti-hunger programs should be more made consistent with nutritional guidelines
 - Ban use of food stamps to buy products of low nutritive value (“empty-calorie” foods, like candy bars & soda pop)
 - Add fruits & vegetables to WIC basket and provide incentives for spending more food stamps & school lunch budgets on fruits and vegetables
- Base Section 32 purchases more on nutritional needs than commodity lobbying

D. Safeguarding Land & Water

- Farmers are the stewards of one-half of the U.S. land surface and are critical in safeguarding the nation's water resources
- Farmers should be compensated for the environmental services they provide.
- Increase protection of prime ag lands
- Increase conservation research and technical assistance
- Increase protection of water resources

E. Bolstering Rural Communities

- Well-being of rural communities is less and less related to well-being of farming
- Key to rural poverty reduction has been creating non-farm jobs within commuting distance of farms
- Need to diversify rural economies
- Essential elements include
 - Quality of education and health care available
 - Infrastructure, especially universal access to broadband internet
 - Investment-friendly business climate

F. Renewable Energy from Ag

- Task Force supports increasing U.S. energy independence through renewable fuels
- Incentives to develop corn-based ethanol are adequate to get industry up and running. That sector needs to develop business plan to operate in an environment of no greater subsidies than other energy sectors receive.
- Need additional Federal investment in research into cellulosic feedstocks

G. Global Hunger & U.S. Food Aid

- Chronic global hunger is mainly due to poverty
 - Since 70% of the extreme poverty is rural, we need to get agricultural and rural development back onto the international development agenda, including USAID's.
- Food aid plays important role in emergency situations, but changes are needed:
 - Eliminate cargo preference requirement & move maritime subsidy to DOD budget.
 - Expand McGovern-Dole school feeding program in place of concessional loans to foreign governments
 - Delete export promotion objective in food aid title of farm bill.

“Change will occur whether or not we plan for it. The question is whether we will have the foresight to embrace change and shape it to our benefit, or whether we will allow ourselves to become its victims.”

Agriculture Task Force
Chicago Council on Global Affairs