# Farm Bill a Missed Opportunity

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The 2008 Farm Bill to be voted on by the House and Senate this week includes incremental gains for conservation, renewable energy, food aid and healthier, local food systems. However, it fails to reverse decades of deregulation that have increased agricultural market volatility to the benefit of global food corporations, and at the expense of farmers, consumers, rural communities and the environment.

Unfortunately, this Farm Bill does nothing to reverse the trend toward windfall profits for global food conglomerates. These companies have succeeded in pushing an extreme agricultural market deregulation agenda over the past three farm bills, including this one.

Congress dismantled grain reserves, acreage set asides and other market management mechanisms in the 1996 Farm Bill. Since then, agribusiness companies have reaped enormous profits. For example, Cargill's profits increased nearly 1000 percent from $280 million in FY1997-98 to $2.34 billion by FY2006-07. In April 2008, Cargill reported net earnings of $1.03 billion in third quarter earnings, up 86 percent from $553 million in the same period a year ago.

These same global food corporations saw increased profits when farm prices collapsed by 40 percent after the market deregulation of the 1996 Farm Bill, and they are making even more money now that food prices have risen to crisis levels.  Market deregulation in effect privatizes crucial market information, which suppresses price transparency and price discovery.  This, in turn, increases the ability of big firms to manipulate prices.

While the debate continues to rage over how many billions in taxpayer subsidies are needed to maintain a legitimate safety net for family farmers, it has been a few big corporations that have been the primary beneficiaries of our commodity programs. Researchers at Tufts University found that industrial animal factories, owned and controlled by these same corporations, enjoyed $35 billion in indirect subsidies by being able to buy feed crops at 20-25 percent below the cost of production – a practice supported by the last two Farm Bills. Unfortunately, these corporate beneficiaries have almost completely evaded scrutiny in the Farm Bill debate.

Two new reports, from the Union of Concerned Scientists and the Pew Commission on Industrial Farm Animal Production, have documented the negative public health, environmental and social impacts of this unsustainable model of industrial meat production. The UCS report calls for strengthening conservation programs and antitrust enforcement; while replacing commodity subsidies with price supports to curtail this multi-billion dollar, cheap-feed subsidy to industrial animal factories.

Another glaring failure of the pending Farm Bill was the lack of political will in the House - Senate Agriculture Conference Committee to strengthen antitrust enforcement. While there were peripheral gains in curtailing the worst abuses of increasingly exploitive contracts against farmers, a majority of the conferees caved-in to the corporate lobbyists on the more substantive market reforms, like the ban on packer feeding, that would have curtailed anticompetitive practices that deny independent farmers fair market access.

This lack of political resolve couldn't have come at a worse time for independent cattle ranchers. JBS-Brazil has recently launched a takeover of two of the top five U.S. beef packers, National Beef and Smithfield; and the nation's largest cattle feeder, Five Rivers Ranch Cattle Feeding. If approved by the Justice Department, the merger would make JBS-Brazil—currently the largest beef packer in the world—the largest beef packer in the U.S. as well. Passage of the packer ban would have provided federal regulators with an important tool to potentially block JBS-Brazil from acquiring Five Rivers, and thereby might have mitigated one of the most anticompetitive aspects of the acquisition.

On the positive side of the ledger, the new Farm Bill does contain important bioenergy incentives. One important new program is the Bioenergy Crop Transition Assistance Program, which would provide farmers with financial incentives and technical assistance to accelerate the growing of "Next Generation" bioenergy feedstocks. It is based on the Reinvest in Minnesota Reserve–Clean Energy bill recently passed by the Minnesota Legislature. IATP worked in collaboration with other groups and members of Minnesota's Congressional delegation to adapt its primary concepts into the Farm Bill.

This new innovative program will help farmers produce ethanol with native prairie grasses and other cellulosic plants, thereby reducing the pressure to grow more corn for ethanol; a prospect that is becoming increasingly controversial by the day. We want to thank Senator Klobuchar and Representatives Peterson and Walz, for their leadership on the agriculture committees in supporting this initiative based on the "Minnesota Model," and succeeding in getting it included in the final bill.

Although IATP pushed hard to include another provision to require that biorefineries receiving federal support must be at least 51 percent community-owned, that provision was watered down to become one of several criteria that must be considered under the new bioenergy program. However, another provision does require that wages paid by federally supported biorefineries meet prevailing union wages in the region where the plant is located. Like local ownership, this important provision will help keep the wealth generated by the new bioeconomy circulating in rural communities, and not just siphoned off by Wall Street investors.

The Farm Bill agreement would also significantly bolster spending for conservations programs. For example, the bill would allocate $12 billion to a revamped Conservation Stewardship Program, which would help bring an estimated 115 million acres of working farm and ranch lands under improved conservation management practices over the next 10 years.

In supporting local food systems, one important provision would allow local and state governments to provide a "geographic preference" through federal procurement programs for locally grown foods. Another provision would provide funding for new local and regional food supply networks, including $33 million in mandatory federal funding for the Farmers Market Promotion Program. Additionally, the inclusion of a revamped country-of-origin labeling provision, along with allowing the interstate shipment of state-inspected meats, should increase marketing opportunities for independent livestock producers.

Another important provision is the inclusion of the Diversity Initiative, a policy package developed by unified rural and urban agricultural interests of African American, American Indian, Latino, Asian American and other small farmers and ranchers all across the United States. This package redresses outstanding issues of civil rights violations and significant land loss suffered by minority farmers because of inadequate policies at the United States Department of Agriculture, including a $75 million investment in the Socially Disadvantaged Farmer Outreach Program.

In the area of food aid reform, the bill includes a scaled-down pilot program that would allocate $15 million dollars annually to experiment with cash purchases for international food aid. A 2005 IATP report, U.S. Food Aid: Time to Get it Right, outlines the enormous problems in the current program. The report documents how the current program can result in the dumping of surplus commodities on developing countries' markets in a manner that undermines local farmers, and can therefore harm long-term food production capacity. This pilot project is an important, albeit small, step forward in reforming the current U.S. Food Aid regime.

Finally, the Farm Bill extends the sugar program at a crucial time when it is under siege from the final phase-in of deregulation mandated by the North American Free Trade Agreement (NAFTA). It contains a new program that would use the growing sugar surpluses created by NAFTA and other free trade agreements to supplement corn ethanol production. This program could help stabilize corn prices, but also raises new questions about how much sugar and ethanol imports from outside of North America should be regulated.

Renewal of the Sugar Program, and the accompanying sugar ethanol provision, would provide more time for Mexican and U.S. sugar growers to continue pushing for an alternative agreement for "managed trade" for the sweetener market in North America, rather than simply standing by and allowing unbridled NAFTA deregulation to go forward unabated. We fear that the deregulation of the North American sweetener market will result in the destruction of the U.S. and Mexican sugar industries, which in turn will launch another wave of migration of farmers and workers who would be displaced from the Mexican sugar market that would rival the migration caused by U.S. corn dumping into Mexico in the 1990s.

Despite these incremental gains, the new Farm Bill does little to change the overall unsustainable direction of U.S. commodity policy. Neither the payment caps, nor the experimental revenue insurance program contained in this Farm Bill, challenge the premise of market deregulation. At the same time, the 1996 dismantling of publicly held grain reserves has left regulators without one of the most important tools to stabilize rising food prices in times of extreme market volatility such as we are experiencing today.

The so-called “commodity reforms” will do nothing to reverse trends toward increased market concentration, speculation and manipulation, indirect cheap feed subsidies to industrial meat production, increasingly volatile agricultural markets, or rising food prices.

It‘s time to rethink the fundamental assumption from the Enron era that market deregulation solves all problems. We need to reconsider an appropriate level of government intervention to mitigate inevitable market failures, such as those we are now experiencing with high levels of damaging market volatility.

For starters, Congress should consider how to best go about re-establishing strategic grain reserves to stabilize commodity prices, and to secure some predictability of feedstock availability for investors in the new bioeconomy. Additionally, Congress should hold hearings to review and, when appropriate, block pending and future mergers like JBS-Brazil; to explore the role that corporate speculators are playing in causing increased volatility in commodity markets; and to identify additional agricultural market reforms to increase price transparency and curtail damaging commodity speculation and price manipulation.

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