The 1995 Farm Bill Follies

James Bovard

Congress is busy patching together the first major farm bill since 1990. Both House and Senate agricultural committee members are promising that the new legislation to reauthorize farm programs for seven years will not cost as much as previous farm legislation. However, it remains to be seen how many times U.S. taxpayers must "buy the Brooklyn Bridge" from the farm lobby.

Farm Spending: The Harvest of the 1990 Farm Bill

Agricultural policy has been such an incorrigible mess in part because the news media has been so susceptible to the politicians' spinning the news about government subsidies. For instance, after the 1990 five-year farm bill was signed, the *Chicago Tribune* heralded the even with a headline proclaiming, "Bush Signs Landmark Free-Market Farm Bill." Yet the bill was essentially a continuation of the meddling that has disrupted agriculture since 1929. President Bush proclaimed upon signing the bill, "It's a market-oriented bill. It lets farmers make more of their own production decisions based on the market rather than on government support prices." Agriculture Secretary Clayton Yeutter declared after the president signed the bill: "We need to provide for a healthy American agriculture based on the international marketplace . . . not upon massive subsidies where farmers have to get down on bended knees soliciting the support of the Congress."

James Bovard is a Cato Institute associate policy analyst and the author of the newly published Shakedown: How Government Screws You From A to Z (Viking-Penguin) *and* Farm Fiasco *(ICS, 1989).*

At the time of the bill's enactment, farm commodity program spending was officially predicted to cost $42 billion. The House and Senate agriculture committees proudly announced that they had cut $13.6 billion from the five-year spending projections in order to reach budget goals under the 1990 budget agreement. However, predictions of farm program spending have almost always been low-balled. The General Accounting Office reported that in the years 1972 to 1986 the Agriculture Department's actual annual spending was 78 percent higher than the amount it predicted it would spend each year.

Farm commodity program costs for the years 1991 to 1994 total $46.2 billion—33 percent higher than originally forecast. Yet even though the costs are far higher than predicted, farm-state congressmen are still bragging about cutting farm program spending, because current costs are below the record years of 1986 and 1987—the two years after Congress "slashed" farm program spending in the 1985 farm bill.

Farm program budget forecasts are notoriously unreliable because farm program spending is inversely related to subsidized crop prices. The lower the crop prices, the higher the government spending. Since the government's record of forecasting crop prices is pitiful, the spending forecasts are also highly inaccurate.

Target Prices and Subsidies

Farm policy reform has been stymied partly because of the complexity of farm programs. Farm policy terminology is a maze of phrases like "target prices," "deficiency payments," "conservation reserve payments," "set-asides," and so on. The "spin" the farm lobby puts on the programs is equally confusing. Programs that impose costs on consumers are applauded for not burdening taxpayers; programs that hit taxpayers are championed for protecting consumers. The farm lobby has fought hard to avoid reforms of farm programs that would make more clear the welfare element of farm subsidies.

The main provision by which government sets crop subsidy levels is target pricing. Target prices are essentially the price that congressmen would like farmers to receive for a particular crop. The level of the target price is largely a measure of the political clout of the different commodity groups. Current target prices are as follows:

- Wheat: $4.00 a bushel
- Corn: $2.75 a bushel
- Cotton: 72.9¢ a pound
- Rice: $10.71 a hundredweight
- Dairy: $10.10 (price support level)

When market prices fall below target prices, farmers receive the difference in the form of deficiency payments. The deficiency payments are supposedly limited to $50,000 per farmer; however, each farmer is allowed to receive deficiency payments for up to three different farms. Also, both a farmer and his wife are allowed to collect $50,000 each in benefits for their farm.

In order to receive deficiency payments, a farmer must be "enrolled" in government commodity programs. In return for the payments, the farmer must leave a percentage of his land idle in order to permit U.S. Department of Agriculture (USDA) planners to keep up the facade of controlling world crop supplies in order to minimize U.S. government budget outlays. The farmer must also carry out certain conservation measures, but such regulations have had scant impact thus far. Farmland that is enrolled in the farm programs routinely has a significantly higher value than similar farmland not signed up for subsidies.

Cotton and rice producers, thanks to the clout of southern congressmen, receive the added benefit of marketing loans. When Congress was writing the 1985 five-year farm bill, there was a consensus that the cotton and rice programs had to become more market-oriented. Congress lowered the price supports slightly (though keeping them well above world price levels), and created new cotton and rice "marketing loans," primarily to boost exports. If the market price for cotton is below the federal price-support level, the "marketing loan" will pay farmers the difference between the federal price and the market price. (The term "marketing loan" is one of the great euphemisms of agricultural policy, equivalent to calling welfare payments a "cost-of-living loan.") Through marketing loans, Congress sought to negate the effects of the price support program, which could encourage farmers to store their cotton or rice, or forfeit it to the government instead of selling it. Marketing loans have assured that cotton and rice farmers receive far higher subsidies per farm than do other subsidized producers.

Set-Asides: Shutting Down Rural America

The secretary of agriculture makes an annual estimate of the coming year's global demand for subsidized American crops. If he fears that demand will not meet the potential supply, he requires subsidized farmers to leave a portion of their land idle. This year, for instance, subsidized corn growers are required to leave 7.5 percent of their corn acreage idle.

The federal government is spending $1.8 billion this year on the Conservation Reserve Program (CRP), a set-aside program that seeks to protect the environment and inflate crop prices by reducing production. Over 36 million acres are being idled under the CRP program. Most studies have found that the CRP has had little environmental benefit.

A *New York Times* story on rural depopulation in North Dakota cited acreage reduction programs as one cause of decreased economic activity. Sen. Kent Conrad (D-N.D.) complained in 1992 that the CRP had "absolutely wiped out small town after small town as we took land out of production."

Set-asides have become a ball-and-chain on American farmers. The Agricultural Policy

Working Group estimated that set-asides, by forcing farmers to leave good land unplanted, increase the average cost of production for a bushel of corn by 33¢. While some farmers can find enough low quality, semi-worthless land to leave idle to satisfy set-aside requirements, many farmers do not own enough third-rate land and must leave good farmland idle. Farmers respond to the acreage-idling requirements by using more fertilizers and inputs on the land they do plant, thereby raising their cost of production. And farmers must often pay the debt on farmland that is left idle from the harvest from the other acres. Since the variable cost of production in the most efficient corn-growing areas is only $1.25, set-asides have a tremendously detrimental impact on American competitiveness.

In his testimony before the House Agriculture Committee in March, John Campbell of the National Grain and Feed Association stated, "Because our planted acreage is only 2 to 13 percent of world acreage, we have a negligible impact on global markets when we idle land. Our competitors simply respond to our acreage-idling signal by planting more of their own land, often in environmentally sensitive areas. Over the past decade we have effectively exported millions of productive U.S. acres and the production and income they generate to our competitors." James Sanford, president of the National Cotton Council, complained, "We know that idling U.S. cotton acreage affects a relatively small percentage of world production, so [acreage reduction programs] in normal circumstances cannot compensate farmers for the full costs of idling acreage."

Dennis Avery of the Hudson Institute observes, "Our farmers could use the set-aside land they already own instead of diverting it—and cut out-of-pocket costs 15-20 percent. A 15 percent cost cut would be worth about $22 billion per year."

Supply controls were introduced only after politicians and bureaucrats mismanaged price controls. We have had perpetual set-asides in agriculture largely because Congress insists on perpetually paying farmers more than their crops are worth. Government first artificially raises prices and then artificially lowers production. The higher Congress drives up the prices, the greater the need for government controls on the amount produced. Set-asides epitomize our "one foot on the brake, one foot on the gas" farm policy.

Set-asides presume that the United States is the Saudi Arabia of wheat and feedgrains—that we can cut back our production, drive up prices, and still increase our profits. If nobody else in the world had any farmland, set-asides might make sense. But in recent years, while Uncle Sam has bled taxpayers to bribe farmers not to work, foreigners have planted fencerow-to-fencerow and are taking over world markets.

Set-asides are intended to drive crop prices higher than they would be otherwise. Yet at the same time that the USDA has been shutting down U.S. farms in order to drive up crop prices, the U.S. has also spent billions of dollars on export subsidies in order to make American crops cheaper for foreign buyers. If one totals the appropriations for the Export Enhancement Program, the Cottonseed Oil Assistance Program, the Sunflower Assistance Program, and the Dairy Export Incentive Program, the U.S. government has spent $5.12 billion since 1990 on export subsidies. The export subsidies are the official antidote to set-asides and other federal programs making American crops uncompetitive on world markets.

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Every acre of government-paid set-aside land is an indictment of the failure of federal planning. Permanent set-asides mean that government perpetually attracts too much capital to agriculture, and then, instead of allowing a natural adjustment, repeatedly intervenes to keep some of that capital idle. If a set-aside is a success, prices are higher; if it is a failure, surpluses are larger. Set-asides force taxpayers to bankroll a scheme intended to drive up prices for consumers.

Export Subsidies: Torching Tax Dollars

Since 1985 the United States has heavily subsidized the export of wheat, dairy products, and other farm commodities. The export subsidies were purportedly created to teach the European Community a lesson. However, the subsidies have had far more impact on U.S. taxpayers and on relatively unsubsidized farmers in Australia, New Zealand, and Argentina. Consider the following:

• In the late 1980s the United States sold wheat to Turkey at a big loss—and Turkey promptly resold the wheat to Iran and Iraq at a profit.

• The USDA's Foreign Agriculture Service admits that generous subsidies for wheat exports have displaced unsubsidized American corn exports.

• Export subsidies for dairy cattle and frozen poultry actually exceeded the total value of the dairy cattle and poultry exported in the late 1980s.

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The United States will spend almost $1 billion this year on the Export Enhancement Program (EEP), the largest farm export subsidy program. Thanks to the EEP, American wheat has been cheaper in Oslo than in Chicago; American barley was cheaper in Baghdad than in Boston; and American soybean oil is cheaper almost anywhere outside our national borders.

Early in the 20th century, wheat was one of America's leading exports. Now, unfortunately, "the wheat industry is in serious decline," as Bruce Weber of Cargill Inc., the nation's largest grain exporter, recently complained. The U.S. government is paying farmers to take 11 million acres of wheat land out of production at the same time that foreign production has risen. As a result, the U.S. share of the world wheat market has fallen from 51 percent in 1981 to only 32 percent in 1994.

A USDA study concluded that nine out of every 10 bushels of wheat exported via the EEP would have been exported even if the program did not exist. The primary effect of the EEP was that instead of exporting for a profit, the United States sold for a loss. Harvard professor Robert Paarlberg notes, "It would have been almost a dollar a bushel cheaper simply to buy surplus wheat on the free market and then destroy it, rather than to give it away under EEP." Cargill's William Pearce complained to Congress in 1992: "We have found no evidence that EEP increased bulk grain exports. In the relatively tight wheat market of recent years, the U.S. could have sold all the wheat it sold without EEP. It could have sold more if more U.S. wheat had been produced."

The EEP effectively subsidizes both foreign buyers and American farmers, but most analysts believe that the foreign buyers get most of the benefits. The EEP's ostensible purpose is, by subsidizing U.S. exports, to persuade the Europeans that they should cease subsidizing their exports. When EEP subsidies began in 1985, farm-state congressmen and USDA bureaucrats believed that a few carefully selected sales would sufficiently intimidate the European Community. Instead, the precedent of a few U.S. subsidies created the demand from foreign grain buyers for far more subsidies, and now the United States is paying large subsidies on roughly 80 percent of wheat exports. Despite the failure of the EEP, the Clinton administration favors expanding the program.

Sugar: The Sweet Deal

The sugar price-support program guarantees farmers who grow sugar beets and sugar cane lucrative prices for their harvests—between two and five times the world sugar price. In the Red River Valley of Minnesota, heavily subsidized sugar growers have bid up the rents on farmland by over 50 percent. As a result, relatively unsubsidized soybean farmers can no longer find sufficient land on which to grow soybeans, America's premier export crop.

The current sugar program dates from 1982. Farm-state congressmen loudly brag that the program is a "no net cost" program. Though the sugar program mugs Americans at the grocery checkout, congressmen carefully designed the program so that it would leave almost no fingerprints on the federal budget. The subsidy results from the combination of a quota system designed to keep out low-priced foreign sugar and suppress domestic production, and federal price supports that keep sugar prices high.

The sugar program is a great inflationary success: sugar sells for 22¢ a pound in the United States, even though the world sugar price is only

10¢ a pound. Each 1¢ increase in the price of sugar adds between $250 million and $300 million to consumers' food bills. A Commerce Department study estimated that the sugar program was costing American consumers more than $3 billion a year. That works out to over $30 a year per household.

The General Accounting Office (GAO) estimated that only 17 of the nation's largest sugar-cane farmers received over half of all the benefits provided by the sugar cane subsidies. The GAO also estimated that the 28 largest Florida sugar cane producers received almost 90 percent of all the benefits enjoyed by Florida sugar producers from federal programs. The USDA estimates that there are a total of 13,000 sugar farmers in the United States. Assuming an average annual consumer cost of $3 billion a year, the sugar program has cost American consumers the equivalent of over $3 million for each American sugar producer since 1980. A USDA study estimated that one corporation was receiving over $100 million in benefits from the program and several others were receiving over $50 million each.

The sugar program has destroyed far more jobs than it has saved. America had an efficient sugar refining industry with an excellent location near the Caribbean. But thanks to the forced reductions of imported sugar, since 1981, 10 sugar refineries have closed down and thousands of nonfarm jobs have been lost.

American sugar production is expected to set a record this year. But every pound of sugar produced in America means a new burden on consumers—and a new loss of opportunity for Third World nations. Sugar imports have been cut by 80 percent since 1975—to the detriment of producers in Central America and the Philippines. The State Department estimates that reducing U.S. sugar imports costs friendly Third World nations almost a billion dollars a year.

Current agricultural trade barriers have resulted in food being produced in many areas that do not have a comparative advantage or natural climate for food production. As a result, the farmers compensate for the lack of favorable natural circumstances by dousing the land with chemicals to stimulate food production artificially. One of the clearest examples of the harm done by farm protectionism is the role of sugar producers in poisoning the Everglades. The General Agreement for Trade and Tariffs, an international organization that oversees the rules governing world trade, concluded in a 1992 report that ending farm subsidies, by ending the incentives for producing crops in areas not suited to their production (thereby resulting in additional amounts of fertilizers and pesticides), would provide major benefits: "In all likelihood there would be a substantial increase in global environmental quality even if no new environmental policies were introduced."

There is no reason why the United States must produce its own sugar cane. Sugar is cheaper in Canada primarily because Canada has almost no sugar growers, and thus no trade restrictions or government support programs. Paying lavish subsidies to produce sugar in Florida makes as much sense as creating a federal subsidy program to grow bananas in Massachusetts. The only thing that could make American sugar cane farmers globally competitive would be massive global warming.

It is a federal crime to grow peanuts for fellow Americans without a federal license. The federal government maintains draconian controls over farmers and peanut sales in order to prevent any unlicensed peanuts from entering Americans' stomachs.

Production of high-fructose corn syrup, a very expensive substitute for sugar, has increased from 2 million tons to over 5 million tons since 1980. Naturally, the corn sweetener producers also make campaign contributions to politicians who support high sugar prices; Nebraska congressmen are now among the most fervent defenders of high sugar prices. The sugar program has enriched corn sweetener producers like Archer Daniels Midland, which runs television ads trying to persuade everyone how terrible the farm crisis really is.

This summer, sugar has taken center stage in the debate over the future of farm programs. The American Sugar Alliance has spent lavishly for full-page newspaper ads showing how cheap sugar is in the United States. The ads showed that American sugar costs 39¢ a pound less than sugar in any other major country. The ad noted that Brazilians pay 47¢ a pound for sugar and Russians pay 65¢. However, the ads were highly

misleading. The Brazilian and Russian prices were based on kilograms—2.2 pounds—and thus were actually significantly lower than the U.S. price. As Al Kamen noted in the *Washington Post*, "The Russians pay about 9¢ a pound less and the Brazilians about 17¢ less than we do." The *Post* noted that "Joseph Lockhard, a spokesman for the anti-quota Coalition to End Welfare for Big Sugar, accused the sugar alliance of knowingly letting the ad run even after the errors were pointed out."

Uncle Sam's Great Goober Massacre

It is a federal crime to grow peanuts for fellow Americans without a federal license. The federal government maintains draconian controls over farmers and peanut sales in order to prevent any unlicensed peanuts from entering Americans' stomachs. The *Washington Post* noted in 1993 that "USDA employees study aerial photographs to help identify farmers who are planting more than their allotted amount of peanuts. Violators are heavily fined. USDA also issues each farmer a card imbedded with a computer chip that lists his quota. The farmer must present that card before he can sell his peanuts at a buying point."

The peanut program was created to help save family farmers, but since the USDA imposed peanut-licensing restrictions in 1949, the number of peanut farmers has plummeted by over 75 percent. The program now may have more to do with serfdom than with subsidies. Two-thirds of all the people who own peanut-growing licenses are not farmers. As a result, farmers must rent federal licenses from others (doctors, dentists, lawyers, etc.) and pay tribute to them for the privilege of growing peanuts. The cost of renting a license to grow peanuts is usually the largest portion of the cost of producing peanuts.

Peanut farmers who own their own licenses receive windfall profits that would make an oil sheik blush. The GAO estimated in 1993 that the USDA provided "an average minimum net return after costs of 51 percent"—over eight times the average corporate profit in the United States. The GAO also estimates that federal peanut restrictions cost consumers up to $513 million a year. The peanut program guarantees American farmers roughly double the world price for their domestic peanuts.

Mindless congressional generosity may prove to be the doom of the peanut industry. In 1985 Congress dictated that peanut price-support levels must be based on the cost of production. And with Solomonic wisdom, Congress decreed that price supports could only be increased—never decreased—regardless of whether farmers' costs of production fell.

A bad drought in 1990 decimated harvests and sent the temporary per-pound cost of producing peanuts up sharply. The USDA irrevocably boosted its price-support level in the following years. The current peanut price support of $678 a ton is largely a politically concocted result of the 1990 drought.

The government's generosity to farmers is pricing peanuts out of Americans' diets. Consumption of domestic peanuts has plummeted more than 15 percent since 1989. The USDA estimates the national peanut demand for the following year and then dictates the number of pounds of peanuts that may be grown for domestic consumption. Because of falling demand, the USDA slashed the amount of peanuts that farmers were permitted to grow in 1991, 1992, 1993, and 1994. In the 1990 farm bill Congress prohibited the USDA from slashing the peanut quota below 2.7 billion pounds, the current authorized level.

But even with slashed output, peanut farmers are still expected to dump much of their harvest on the government this year, costing taxpayers $120 million. (Farmers unload the peanuts on the government when the market price falls below the government support price.) An April 1995 USDA report concluded, "The principal market mechanism for balancing peanut supply and demand, peanut price, has been rendered largely ineffective."

The National Peanut Growers Group advocates solving the peanut crisis by permitting the USDA to slash the quantity of peanuts that its members may grow by almost 30 percent. Perhaps the growers believe that if government sufficiently worsens the artificial shortage of peanuts, peanuts may obtain the panache of higher-priced nuts such as cashews and pistachios.

The peanut program will also be undermined in coming years by imports. Until last year the United States restricted peanut imports to roughly two foreign peanuts per year for each American citizen. Both the GATT and NAFTA agreements allow for gradual peanut import increases. Unfortunately, the Clinton administration's GATT legislation placated U.S. peanut growers by slapping a 155 percent tariff on peanut-butter imports.

The Political Economy of Farm Subsidies

For over 60 years American farm programs have provided large benefits to large farmers and small benefits to small farmers. Yet the farm lobby has succeeded in persuading the American public that the programs exist to preserve the relatively small family farmer. As a result, the United States in the 1990s has essentially the same farm programs it had in the 1930s. The GAO has produced scores of reports detailing waste and inefficiency in farm programs. Yet federal policymakers have generally disregarded the evidence of failures.

Given President Clinton's professed concern for the poor, cutting government handouts to wealthy landowners should be at the top of his list. However, his administration has not had any substantive farm policy except "more of the same."

American agricultural policy has long been dominated by an "iron triangle" composed of Congress, the USDA, and the farm lobbies. Congressmen depend on farm subsidy programs to buy votes and generate campaign donations; Agriculture Department employees favor preserving programs in order to preserve their jobs; and lobbying groups want to bring in money for their members.

The farm lobby has generously poured money into congressional campaign coffers. Dairy cooperatives donate almost $2 million a year to congressmen. The sugar lobby provides $450,000; grain lobbies provide over $500,000 a year; and other lobbies add a few million more to the total.

The complexity of the programs helps to explain the media's largely sentimental coverage of agricultural issues. Most journalists, especially television reporters, understand little of how the programs actually operate. On the other hand, auctions of bankrupt farmers' property always make good "human interest" stories.

American farm policy has not been goal-oriented: regardless of the stated goal of a program, as long as the government transfers a significant amount of resources to farmers, the program is considered a success. The contradictions among farm programs—such as simultaneously paying for supply controls and offering above-market rewards for production—have been obvious for decades, yet Congress has refused to rationalize the system. The stated goals for farm programs often seem to be only camouflage—existing solely as a pretext for transfer payments to landowners.

At the core of farm policy is a blind fixation on using coercion and handouts to raise short-term farm income. Agricultural programs are based on the idea that government can make America better off by restricting production and inflating prices. Spending tax dollars for agriculture presumes that the government can use a dollar more productively than the private sector—even if the government spends the dollar to pay someone not to produce anything at all. Current agricultural policy is based on the assumption that America benefits more from federally mandated inefficiency and waste than it would from allowing farmers to operate at maximum productivity.

Government cannot continuously increase farm income, because the value of federal aid is inevitably capitalized into the prices of farmland. The more generous the subsidies, the more expensive the farmland. The more expensive farmland becomes, the higher the cost of production and the lower the profits from sales.

The New Democrat and the Old Handouts

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In his first budget proposal in early 1993, Clinton proposed to end direct farm subsidies for individuals who earn more than $100,000 per year off the farm. Clinton's proposal may have some slight impact on absentee farm owners, hobby farmers, and tax farmers. But trying to fix farm programs with payment limits is like trying to end wasteful defense spending solely by reforming payments to Pentagon contractors. Congress has repeatedly imposed payment limits in the past, yet farmers and farm-state congressmen have always found ways to gut the restrictions.

Clinton's economic team hailed this pathetic proposal as the dawn of a new era in farm policy. Office of Management and Budget chief Leon Panetta exclaimed to the Senate Budget Committee: "Let me tell you, those agriculture recommendations are tough with regards to targeting subsidies." Treasury Secretary Lloyd Bentsen explained the proposal to the House Budget Committee: "It's only fair that subsidies end for those who do not need them." Panetta and Bentsen apparently assume that all full-time farmers are needy. The largest 16,000 farms had an average net income of almost $2 million in 1991—yet Clinton's proposal implicitly considers this group sufficiently needy to continue receiving hefty annual welfare checks (an average of $29,616 per farm in 1991).

Clinton went on national television on February 15, 1993 to assert that he had worked harder than ever before to avoid raising taxes on the middle class; but Agriculture Secretary Mike Espy bragged two days later that "the overwhelming majority [of farm programs] have been continued without being harmed the least little bit." Espy also asserted that "the farm programs have been cut and cut and cut, with corresponding impact on farm income, which, of course, has also been reduced." In reality, the level of federal farm commodity spending in 1993 was among the highest in history.

What Clinton administration officials touted as boldness evaporates when one looks more closely. In a Hyde Park, New York speech two days after the State of the Union address, Clinton, flaunting his Rooseveltian zeal for radical experimentation in government, declared: "There is a program that I think helps a lot of wonderful people, it's a subsidy to sheep growers. . . . We had sheep on the farm when I was a boy, so I'm more sensitive to this than some are. But when I got to studying this, we started a subsidy to sheep growers in World War I because we needed plenty of wool for uniforms. But the program is still on the books exactly as it was. . . . So I recommended cutting it back. All these things have constituencies, but I can tell you we are going to have to prove that we can cut things."

And what was Clinton's radical wool proposal? To apply to each wool and mohair grower the same nonbinding, $50,000 a year handout limitation that already nominally applies to most other farmers. (Wool growers are currently entitled to up to $200,000 a year). The GAO has repeatedly recommended that the wool program be abolished. Taxpayers get absolutely nothing from the program: the subsidies are simply an annual windfall to relatively uncompetitive wool and mohair growers. American textile mills have long complained that domestically produced wool is of lower quality than imported wool, and almost all the mohair the United States produces is dumped on world markets at huge losses to taxpayers. Yet the best that Clinton can do is reduce the waste by $12 million in 1994, from $191 million to $179 million. Congress trumped Clinton, voting in 1993 to abolish the wool and mohair programs.

The Clinton administration, unlike other recent administrations, did not submit a formal proposal for a farm bill when the time came for the programs to be reauthorized. Instead, the administration put forward a set of guidelines. At a speech in Ames, Iowa in April, Clinton announced a farm subsidy policy goal of "first do no harm." However, he was referring to farmers, not to taxpayers and consumers. The *Washington Post* editorialized that Clinton's motto "seems to mean mainly, do no harm to whatever may be the president's reelection chances in the farm states."

Republican Agricultural Reform Proposals

Sen. Richard Lugar (R-Ind.), chairman of the Senate Agriculture Committee, has taken the lead in challenging the rationality of federal farm programs. Lugar has called for the abolition of export subsidies and sweeping cutbacks in other farm programs. Thus far, his Senate colleagues have restrained themselves from jumping on his bandwagon.

Rep. Pat Roberts (R-Kan.), chairman of the House Agriculture Committee, unveiled his own reform proposal on August 3. Roberts labeled his proposal the "Freedom to Farm Act of 1995." The *Congress Daily* commented on August 4 that "Roberts' decision Thursday to introduce his Freedom to Farm Act before the House leaves for its recess today is an indication that his plans for a bipartisan farm bill have broken down, and that he is seeking support from Republicans who have criticized his previous proposals as too traditional." Roberts's proposal would allow farmers who have enrolled in federal farm programs for three of the past five years to collect annual payments over the next seven years based on a percentage of their historical payments. Roberts's proposal decouples farm subsidy payments from the yearly price fluctuations of farm commodities and would therefore allow the government to predict more accurately its farm program exposure and allow the farmer to know exactly how much he will receive in handouts in the coming years. Farmers would be relieved of the duty to idle part of their land in order to receive benefits. Roberts would decrease farm commodity payments from $7.6 billion in 1996 to $5 billion in 2002.

In the future, farm policy should be responsive to the forgotten farmer; the farmer who asks only to be left alone by the government to sell his crop at a price that he can agree on with his customers.

While Roberts's proposal would be a big improvement over current agricultural programs, it is far from a free-market solution. It treats farmers who have received subsidies in the past far better than those farmers who chose to operate on their own, without government handouts. And according to the USDA's most recent budget estimates for future spending, Roberts's proposal might actually cost taxpayers more in the next seven years than simply extending existing farm programs. Also, there is nothing to guarantee that a few years down the road Congress would not vote to revive the traditional farm subsidies.

Conclusion

The clearest effect of the agricultural price support programs is to decrease the competitiveness of American agriculture. The more welfare government has given farmers, the less competitive they have become. Every farm bailout has discouraged farmers from maximizing their productivity and efficiency. The higher the federal government drives up prices, the less efficient American farmers will be. The marginal cost of production will always tend to rise to the guaranteed price, thus ensuring that Americans spend more to produce what they could have produced much more efficiently. How many city families should we sacrifice in order to keep one unsuccessful businessman on his tractor for one more year?

The abolition of farm programs would likely have some adverse impact on the value of some farmland. However, Mark Drabenstott, senior economist at the Federal Reserve Bank of Kansas City, believes that it would be difficult to forecast the precise impact reducing subsidies would have on farmland values. Drabenstott observed, "For example, what does one assume about world food markets and their growth? And what does one assume about the effort to balance the budget? Will it have an effect on interest rates? The biggest hit will be taken by marginal cropland in areas where government payments are a bigger share of the income stream."

On the other hand, the American Farmland Trust predicted that farmland values would increase by 1.5 percent annually if farm subsidies are cut by $15 billion over the next five years. Set-asides and other land-idling programs have decreased farmers' income; any policy changes that allow farmers to earn more income over the long term will tend to increase the value of farmland. Besides, by inflating farmland values, the federal government creates a severe entry barrier to young, would-be farmers. It also undermines U.S. competitiveness in world grain markets, since the higher land values become a higher cost of production. At any rate, no one is forecasting as sharp a fall in farmland values from ending federal subsidies as occurred in the early 1980s after the inflation-bubble burst.

In the future, farm policy should be responsive to the forgotten farmer; the farmer who asks only to be left alone by the government to sell his crop at a price that he can agree on with his customers; the farmer who asks only that no more political tidal waves sweep away his markets; the farmer who does not feel entitled to other people's paychecks without their consent; the farmer who is proud of his independence, who can stand on his own two feet and compete with any other farmer in the world. That farmer embodies the agrarian ideals that should influence public policy. If we respect him, we must respect his markets, and stop driving up his cost of production and restricting his freedom in a series of quixotic efforts to permanently raise farm prices. Poll after poll conducted by farm magazines shows a large percentage of farmers calling for the government to end all intervention in agriculture.

In the long run, both farmers and their customers will be better off when politicians stop micromanaging American agriculture. As long as people need food, farmers will be able to produce and sell at a profit. There is no perversity in the economic system itself that prevents farming from being as profitable as other professions. The farm problem is a problem only because politicians need votes. The only solution to the problem is to depoliticize agriculture.

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