

# Healthy Food, Farms & Families

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## Introduction

In 2007, anti-hunger groups will be gearing up for the U.S. farm bill. Few other pieces of legislation give federal policymakers such an opportunity to significantly reduce hunger in the United States and around the globe. The farm bill is about much more than farming—it's an omnibus bill that shapes farm subsidies, nutrition programs, conservation, energy, trade, research and rural development.

The current farm bill was signed into law in 2002 and is set to expire in 2007. The reauthorization date is somewhat flexible, and farm groups and some legislators have suggested a delay until international trade negotiations are concluded. But a delay will not lessen the need for reforms.

Traditionally, it has been the commodity crops—primarily corn, wheat, soybeans, cotton and rice—that drive the reauthorization agenda. Of the \$51.7 billion in new funding included in the 2002 farm bill, more than two-thirds went to the commodity programs.<sup>1</sup> The next farm bill will be reauthorized under much different circumstances. The 2002 bill was negotiated in 2001, before the escalating federal budget deficit and the war on terror reshaped spending priorities. Though the policy environment may be different, what has not changed is Bread for the World's contention that securing farm bill reform is vitally important.

A change in U.S. agricultural policy is long overdue, and it begins with commodities. Commodity programs force farmers to depend on government subsidies, divert scarce resources needed for rural development, distort agricultural markets at the expense of farmers in the developing world, and contribute to rising obesity rates

in the United States. Reforming the farm bill to address these problems is the subject of the 2007 Hunger Report: *Healthy Food, Farms and Families*.

## Farm Subsidies Do Not Benefit Most Rural Americans

Rural America has higher rates of hunger and poverty than urban areas. Unemployment and underemployment are higher too, and rural America has higher concentrations of substandard housing. Minority residents of rural areas are worse off than those in metropolitan areas. These conditions may not be caused directly by government payments to commodity producers, but the fact that most people consider farm subsidies a form of rural development explains why so little is left for the development strategies and programs that would improve the lives of most rural Americans.

It is a myth that government payments to farmers support rural America. Areas of the country that receive the greatest share of subsidies, like the Great Plains or the Delta, have some of the highest rates of hunger and poverty, and these communities have been losing people for decades as farms have consolidated, making it increasingly difficult for small farmers to compete. "When I was growing up, our town had all kinds of stores. Now there is nothing," said Ken Gallaway, a small cotton farmer in Olton, Texas. "A lot of this is because there are fewer farmers and they can't support the local commerce."<sup>2</sup> The impact of the commodity programs ripples through rural communities around the nation.

By design, commodity payments benefit the biggest producers. That is how they have encouraged consolidation. U.S. farm subsidy programs do little to help small to medium-sized family farmers, most of whom receive

no subsidies and earn most of their household income by working off-farm. Nor do farm programs provide much help to growers of the so-called specialty crops, better known as fruits and vegetables, which are ineligible for subsidies. The notion that U.S. agriculture could not be competitive without the high commodity subsidies is another myth—for one thing, specialty crops remain competitive without subsidies.

The landscape of rural America is also vastly different than during the Great Depression. Less than one percent of the population in the United States is engaged in farming, compared to 25 percent in the 1930s. Roughly the same amount of farmland is being used, but the farms themselves have grown larger and more specialized, due to improvements in technology and the government programs that have encouraged consolidation.

Federal farm policy has not kept pace with changes in the farm sector or with changes in rural America.

Some legislators worry because U.S. agricultural imports are increasing faster than exports. But agricultural imports are serving the widespread U.S. consumer demand for products grown in other parts of the world. Look around Iowa, for example. For many people, the word Iowa signifies farming—yet almost all of the foods Iowans eat come from out of state. Iowa farmers grow lots of corn and soy beans, but very little else. It is not because

the soil cannot produce foods other than corn and soybeans. It is because it would be a disastrous business decision for farmers to rethink their planting decisions. Under the current farm program structure, they have become dependent on subsidies that give them little scope to diversify.

Federal farm policy should offer farmers tools for managing financial

risk, assistance during times of catastrophic crop failure, and support for practicing good environmental stewardship. But most importantly, federal policy needs to support creativity and an entrepreneurial spirit in farming by encouraging farmers to plant the crops they choose. All farmers should be eligible for this support, not just a small handful of commodity producers.

U.S. farm programs should also provide more help to beginning farmers and ranchers. Under current farm policy, the cost of land has risen dramatically because the value of program crop subsidies is factored into the value of land. Given the high cost of purchasing or renting land, it has become almost impossible for a new generation of farmers to raise enough capital to get started in farming. There are twice as many farmers over 65 as there are under 35.<sup>3</sup>

The significant financial savings from restructuring U.S. farm policy as discussed above should be redirected primarily to boosting rural development and reducing hunger. Rural economic development policy should place a heavy emphasis on small business creation and support for local entrepreneurs, especially in the non-farm sector, because few people in rural America work on farms. Investments in infrastructure such as better transportation systems, broadband and Internet access, education and health care, water and sewage treatment are an essential foundation for economic development. The potential for business development in rural America is great, but without improvements to rural infrastructure, it will not reach that potential.

Direct government support for farmers started during the Great Depression, when most U.S. farm households were extremely poor. A policy designed to be a temporary solution to address a national crisis has prevailed for three-quarters of a century. Today, average farm household income exceeds the average income of the rest of the country.



Mary R. Vogt

## Commodities and World Hunger

U.S. farm programs favor a few thousand large corporate farming interests, much to the detriment of smaller family farmers like Ken Galloway. But their impact on small-holder farmers in the developing world is even more devastating. Subsidizing commodities encourages U.S. farmers to overproduce them. Selling these excess commodities in world markets at artificially low prices distorts trade and makes it extremely difficult for farmers in developing nations to sell their products. In spite of their much lower production costs, cotton farmers in countries like Senegal, Burkina Faso, Chad and Mali cannot compete against highly subsidized U.S. cotton. For these African nations, where 15 million people earning roughly \$1 to \$2 per day depend directly on cotton,<sup>4</sup> U.S. farm programs shatter hopes of reducing hunger and poverty.

There are nearly 3 billion people in the world living on less than \$2 per day. Raising the income of the poorest people, even by a small amount, could be a great opportunity for U.S. farmers to expand their export markets. One of the first things very poor people do with additional income is to buy more food. The demand for animal protein in particular will quickly outstrip developing countries' own productive capacity. Midwestern producers of feed grains stand to gain from poverty reduction in the developing world.

Thus, strong economic growth in developing countries should be a preeminent concern for U.S. farmers, but so far, farm groups have not used their powerful influence on Capitol Hill to press policymakers to understand the relationship between global poverty reduction and emerging markets for U.S. agriculture, and to take action. In the developing world, reducing poverty depends largely

on improvements in agricultural productivity. Three-fourths of the poorest people in the developing world make their living from agriculture. It may be counterintuitive that U.S. farmers should be rooting for farmers in other countries, but without large-scale growth in the agricultural sector of poor countries, broad-based economic development will not occur and the substantial new markets for U.S. agricultural products will not materialize.

For farmers in developing countries to compete in local, regional, and even global markets, they need protection from U.S. commodities that flood the market at prices which are artificially low because they are highly subsidized. They also need access to open markets in developed countries. The Doha Development Round of the World Trade Organization (WTO) is an opportunity to address the inequities that keep billions of people mired in poverty. The United States should



Richard Lord

# New Study Shows How U.S. Farm Sector Benefits from Global Development

– Bread for the World Institute

A new study by Marcelle Thomas and Antoine Bouët at the International Food Policy Research Institute (IFPRI) finds that U.S. agricultural exports to Africa and Asia could rise substantially if low- and middle-income countries in these regions were to achieve broad-based economic growth. The study, commissioned by Bread for the World Institute, presents some of the most compelling evidence to date to show how much the U.S. farm sector stands to gain.

IFPRI simulated annual growth rates of 7 percent in Gross Domestic Product (GDP) for three groups of developing countries in Africa and Asia (see Table 1). This level of GDP growth is a sharp increase from recent growth rates in most countries in these regions, but it is clearly within the range achieved by such fast-growth economies as China and India.

“The argument that income growth abroad in low-income countries can benefit U.S. agriculture has a long tradition,” IFPRI notes. This is the view championed by renowned agricultural economist Dr. Robert Thompson, whose arguments are discussed in Chapter Three of *Healthy Food, Farms and Families*. Thompson and others who share this position rely on what Thomas and Bouët call a common-sense argument of what happens when hundreds of millions of people living on \$1-\$2 per day see their incomes rise to \$5-\$10 per day. As history shows, consumption quantities and diet quality improve as demand for food sharply increases. This is precisely what happened in Japan, South Korea and Taiwan, for example, as they emerged from relative poverty in the 1950s-1960s to become booming economies in the 1980s-1990s. Thompson observes that these countries “became the best markets for Midwestern corn and soybean producers as people

there gained the purchasing power to include more animal protein in their diets.”

Building new export markets is a continuous concern for U.S. agricultural producers. While the largest share of U.S. trade is with other industrialized nations, developing countries represent new markets with vast potential. Presently, African and Asian countries (excluding India and China) account for a small share of overall U.S. agricultural exports (see Table 2). As people’s livelihoods in these countries improve, U.S. export volumes are bound to increase as they have

Between 2006 and 2020, U.S. agriculture exports would grow by \$25.8 billion, according to the study.

for Japan, South Korea and Taiwan. “Driven by rising incomes,” IFPRI writes, “U.S. agricultural exports have increased to these countries simultaneously with substantial increases in their own domestic agricultural production and despite significant trade barriers.”

Agriculture is the key to development in low-income countries, and that is why it has been at the center of the Doha Development Round of the World Trade Organization. Achieving higher levels of economic growth in the developing world requires support from developed countries. The United States has good reason to be supportive of policies that promote economic development in low-income countries. It is in the best interest of U.S. farmers, and it is in the best interest of poor people around the world.

*The full study, Effects of Economic Growth in Developing Countries on U.S. Agriculture: Preliminary Evidence from a Global CGE Model, is included in Appendix A, starting on page 118.*

**Table 1. Regional increase in U.S. exports with 7 percent GDP growth**

	Low income Africa	Importers Middle income Africa	Low income Asia
(in percent)			
U.S. agriculture exports			
Rice	26.43	35.43	3.17
Wheat	32.08	17.73	15.73
Other cereals	31.27	40.70	24.00
Fruits and vegetables	25.65	33.45	19.27
Oilseeds	20.92	33.62	22.43
Sugar	14.01	23.94	13.74
Plant based fibers	20.72	21.02	12.18
Other agriculture	5.62	20.86	16.41
Meat and meat products	9.67	19.34	7.69
Milk	24.61	24.28	9.68
Food products	22.65	31.21	13.89

**Table 2. Regional share of total U.S. exports with 7 percent GDP growth**

	Low income Africa	Importers Middle income Africa	Low income Asia
(in percent)			
U.S. agriculture exports			
Rice	7.94	2.55	0.75
Wheat	2.19	18.04	0.70
Other cereals	0.45	11.86	0.09
Fruits and vegetables	0.33	0.61	0.08
Oilseeds	0.05	1.14	0.00
Sugar	0.34	0.76	0.02
Plant based fibers	0.00	0.13	3.44
Other agriculture	0.55	1.14	0.17
Meat and meat products	0.53	1.34	0.09
Milk	0.42	1.30	0.15
Food products	0.69	1.65	0.10

be leading other industrialized countries in reforming agricultural payment and tariff policies that distort trade.

But whether the Doha round is successfully concluded or not, the United States must reform its farm programs. In one of the first cases of its kind, Brazil challenged the legality of U.S. cotton subsidies under WTO rules of trade and won its case. The WTO ruled that U.S. subsidies distorted world cotton markets and harmed the economic interests of cotton-exporting countries like Brazil.<sup>5</sup> As a result, the United States is obligated to reform and restrict its current cotton subsidy programs. Also, the outcome of the cotton case increases the likelihood that subsidies for other U.S. commodities will face similar WTO challenges and be forced to reform. It makes little sense to let the litigation set the pace of reform—it is costly to defend these programs, and it leaves U.S. farmers in a state of uncertainty as to whether the programs they rely on will be available months or years down the road.

## Nutrition Programs Protect Families from Hunger

Federal nutrition programs represent an investment in the health and well-being of families by ensuring that low-income Americans have access to food. The Food Stamp Program, the largest federal nutrition program, will be reauthorized in the next farm bill, and so will several other programs that are smaller but still important.

The United States continues to need effective nutrition programs to combat hunger. In 2005, the Food Stamp Program served an average of 25 million people per month. There is much to praise in the Food Stamp Program. “Waste, fraud and abuse” is at an almost negligible level, such that policymakers might hold up the Food Stamp Program as an example of what other federal programs should try to achieve.

But for all the good the Food Stamp Program does for low-income families, it does not ensure them access to adequate amounts of healthy food. The government meal plan that the program is based on,

known as the Thrifty Food Plan, does not meet current nutritional guidelines. Improving the Food Stamp Program could benefit families in several key ways. First, it could improve the health of families by making it possible for them to afford healthy foods for the entire monthly benefit cycle. Second, it could help to increase participation; today only 60 percent of eligible people participate in the program. Finally, it could help the United States meet its pledge of cutting food insecurity in half by 2010.



Far too many people in the United States remain food insecure —more than 35 million according to recent government statistics —and yet in these households, as in others, obesity is all too common. According to the latest government data, 66 percent of Americans are considered overweight and nearly half of those are obese. Overweight and obesity affect all income groups but are most prevalent in low-income communities. Calories are cheap and abundant in the United States—it's the nutrients that are expensive. Poverty limits access

to healthy foods. Too poor to afford nutritious meals, many low-income households stock their cupboards with cheap but filling foods, high in fats and sweeteners.

Some public health experts contend that U.S. farm policy, by heavily subsidizing corn and soybean production, is contributing to the obesity problem. High fructose corn syrup and hydrogenated vegetable oil, byproducts of subsidized corn and soybeans, are ingredients used in almost all processed foods.

Especially alarming are the rising rates of obesity among children and adolescents. Obesity is now the most prevalent nutritional disease of children and adolescents in the United States.<sup>6</sup> The percentage of children between the ages of 6 and 19 who are overweight has reached 16 percent.<sup>7</sup> This is a fourfold increase since 1974 for children between the ages of 6 and 11, and a threefold increase for adolescents 12 to 19.<sup>8</sup>

In the next farm bill, policymakers should counter the effects of heavily subsidized foods by promoting healthful relationships between nutrition programs and farm policy. Nutrition programs that provide fresh fruits and vegetables in the schools should receive stronger support, since overweight children have a high probability of growing up to be obese adults. The Food Stamp Program should include incentives to encourage participants to purchase healthy foods. Incentive programs and farm-to-school programs also benefit farmers. In short, the goals of federal farm policy and nutrition policy need to be in accord with public health goals.

## Hunger and Farm Bill Reform

Hunger is the lens through which this report looks at the farm

bill. No legislator wants to increase hunger, but sometimes policies do so inadvertently because of conflicting priorities. If it turns out that policies are contributing to hunger, the moral imperative should be to reform them. That does not mean eliminating support for farmers. Rather, policymakers must develop solutions that help struggling U.S. farmers, strengthen rural communities, provide an adequate, nutritious diet for hungry people in this country, and support the efforts of small farmers in developing countries to get their products to market and feed their families.

## Mainline Recommendations in this report:

- The United States should phase out the current system of farm subsidies, which links higher payments with higher production levels.
- Federal farm policy should offer farmers tools for managing financial risk, disaster assistance during times of catastrophic crop failure, and support for practicing good environmental stewardship.
- The United States should lead the way in pushing for a swift and successful conclusion to the Doha Round of the World Trade Organization (WTO) negotiations.
- Savings from limits on trade-distorting farm programs should be redirected to accelerating rural development and ending hunger.
- Nutrition programs should ensure that participants have access to healthy foods.

# Milestones in U.S. Agricultural Policy

## 1933

Agricultural Adjustment Act: First “farm bill” established the New Deal mix of commodity-specific price and income support programs.

## 1936

Soil Conservation and Domestic Allotment Act: First direct links created between soil conservation and commodity programs.

## 1949

Agricultural Act: Established policy of high, fixed-price supports and acreage allotments as permanent farm policy. Programs revert to the 1949 provisions should a new farm bill fail to pass.

## 1954

Agricultural Act: Introduced flexible price supports to commodity programs.

## 1956

Agricultural Act: Established Soil Bank, which introduced use of conservation reserve in addition to acreage control for supply management. The program ended after only 2 years.

## 1965

Food and Agricultural Act: Introduced new income support payments in combination with reduced price supports and continued supply controls.

## 1970

Agriculture Act: First inclusion of title for Rural Development in a farm bill.

## 1973

Agriculture and Consumer Protection Act: Introduced target prices and deficiency payments to replace price supports, coupled with low commodity loan rates, to increase producer reliance on markets and allow for free movement of commodities at world prices.

## 1977

Food and Agriculture Act: First inclusion of title for Food Stamps and other commodity distribution programs in a farm bill.

## 1985

Food Security Act: Introduced marketing loan provisions to commodity loan programs to reduce forfeitures by allowing repayment of loans at lower rate when market prices fell, with the intention of aiding in reducing Government-held surplus grain. Re-established a conservation reserve.

## 1996

Federal Agriculture Improvement and Reform Act: Replaced price support and supply control program with program of direct payments based on historical production. Introduced nearly complete planting flexibility.

## 2002

Farm Security and Rural Investment Act: Introduced counter-cyclical payments program triggered when current prices fall below a target level, but paid based on historical production. Introduced working-lands conservation payments through the Conservation Security Program. Continued planting flexibility and program of direct payments based on historical production, allowing updating of historical base acres and adding historical soybean acres.

Source: Compiled by Economic Research Service, USDA. The complete texts of U.S. farm bills from 1933 to 2002 are available on the website of the National Agricultural Law Center (<http://www.nationalaglawcenter.org/farmbills/>).