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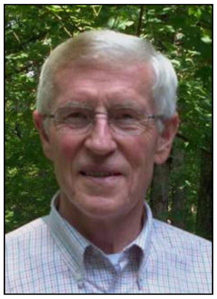

THE ECONOMIC PAMPHLETEER
JOHN IKERD

A farm bill for the agriculture we want

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The United States farm bill expires in 2018 and is scheduled to be replaced by new legislation approved by the U.S. Congress and implemented by the U.S. Department of Agriculture (USDA). The USDA has already announced its farm bill preferences and the legislative principles it hopes will guide the 2018 legislative process (USDA, 2018). Its policy agenda for 2018 seems to be pretty much the same as those for past farm bills—at least for those over the past 50 years. Regardless of whether we like what we have been getting, the USDA apparently plans to give us more of the same.

"We can have any kind of agriculture we want, if we choose the right agricultural policies." This was a frequent statement of Harold Breimyer, one of the most respected agricultural economists in the U.S. during the last half of the 20th century. He was my professional mentor in that he was an unabashed advocate of traditional family farming. He also continued to be active professionally for as

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Why an Economic Pamphleteer? Pamphlets historically were short, thoughtfully written opinion pieces and were at the center of every revolution in western history. I spent the first half of my academic career as a free-market, bottom-line agricultural economist. During the farm financial crisis of the 1980s, I became convinced that the economics I had been taught and was teaching wasn't working and wasn't going to work in the future—not for farmers, rural communities, consumers, or society in general. Hopefully my "pamphlets" will help spark the needed revolution in economic thinking.

long as he lived—17 years after retiring from the University of Missouri.

Harold's point was that the economy doesn't dictate the kind of farms or food systems we have in America. Our agri-food system is a reflection of our governmental farm and food policies. Even if we decide to accept any agri-food system that might evolve from market incentives, we still have a choice of whether to impose policy restraints on agricultural markets. The United States, like virtually every other nation in the world, has a long list of laws and regulations that affect farming and food production. Few nations are willing to leave their food security to the indifference of a market economy.

We are often told that if we want something different, we must "vote with our dollars." Our choices among market alternatives reflect our food preferences and certainly have some effect on the kind of food system we have. Breimyer's point was that our market choices *alone* do not, and should not, completely determine the kind of agri-food system we have. Even the market alternatives available to us are affected by farm and food policies.

As I have explained in a previous column, U.S. farm policy for at least the past five decades has been designed to promote the industrial model of agriculture (Ikerd, 2015). The intention was to reduce production cost and increase food production, allowing market prices to decline and making good food affordable for everyone. These policies worked as intended by reducing agricultural production costs and increasing supplies of agricultural commodities. There also were initial reductions in food prices. However, lower food prices failed to reduce food insecurity or hunger (Ikerd, 2015). In addition, retail food costs have risen at about the same rate as overall inflation over the past 20 years (Finance Ref/Alioth LLC, 2017).

Most of the recent increases in retail food prices are accounted for by higher marketing costs and increased purchases of foods away from home (Canning, 2011). Food processors have used cheap agricultural commodities as raw materials to manufacture convenience foods and "junk foods." This has not only kept retail food prices higher but also has reduced the nutritional value of food. Government food assistance programs have mitigated food insecurity but have failed to offset the failure of other agri-food policies. As a result, obesity now rivals hunger as a public health concern. Government has failed to use its authority to restrain the power of food corporations to influence food prices and consumer choices. In these and other ways, farm and food policies have shaped the agri-food system we have today.

Government has failed to use its authority to restrain the power of food corporations to influence food prices and consumer choices. In these and other ways, farm and food policies have shaped the agri-food system we have today.

If we don't like the agri-food system we have today, we will have to change farm and food policies. Industrial agriculture has achieved its profitability by mining the land and exploiting both farmers and consumers. Extraction and exploitation are not sustainable over the long run. If we want a sustainable food system, we must protect and restore productivity to the land and the capabilities of the people who farm it. We must also meet the basic nutritional needs of all. This means we need agri-food policies that support a multifunctional agriculture that is ecologically sound and socially responsible, and well as economically viable over the long run.

To restore the natural productivity of the land, farmers must respect the necessity of diversity for healthy agroecosystems. Farmers must rely on diverse crop rotations and integrated crop and livestock systems to restore physical and biological health to soils, crops, livestock, and ultimately to eaters. If we are to restore integrity to farming, we must make it possible for those who are committed to caring for the land and producing healthful, nutritious foods to make a decent economic living by farming. We must also work together through government to ensure that everyone has access to enough good food to support healthy, active life-styles. Market economies alone will do none of these things.

Regarding the 2018 farm bill, I think the highest priority should be to reduce, and ultimately eliminate, commodity-specific programs. Commodity programs mitigate the risk of large-scale, specialized industrial agricultural production. Commodity price supports and price-deficiency payments have been largely replaced by government-subsidized crop insurance, which ensures not only prices but also yields of insured commodities. We taxpayers have been picking up about 60% of the costs of insurance premiums, as well as generously subsidizing the costs of the private insurance companies that administer the program (EWG, n.d.). There are no limits to the amount of money farmers can receive for insured crops. Large crop producers can afford the risks of producing thousands of acres of a single crop only because we taxpayers are absorbing most of the risks.

Ultimately, all commodity-based programs should be replaced with a comprehensive, subsidized "whole farm net revenue" insurance program.

Ultimately, all commodity-based programs should be replaced with a comprehensive, subsidized "whole farm net revenue" insurance program. The USDA currently has a pilot program for whole-farm gross revenue insurance, which gives added credibility to the basic idea (USDA Risk Management Agency, 2018). The insurance premiums paid by farmers should reflect the risk inherent in their overall farming systems. Farms with diverse crop rotations and integrated crop and livestock system would pay lower premiums because diversification reduces economic risk.

The total "gross revenue" losses insured should be limited to typical risks faced by "family-sized" diversified farms, say around US$100,000—not large, industrial operations. In addition, the total "net revenue" or farm income ensured for any full-time farmer should not exceed some percentage of the U.S. median family income, which is around US$60,000. Program details would need to be negotiated, but the basic proposal would be to provide farmers willing to transition to sustainable farming with a secure net farm income—similar to proposals for a guaranteed minimum income (Guaranteed Minimum Income, n.d.). Such a program would incentivize diversified, family-sized farms but would be of only marginal benefit to large, industrial farming operations.

Another urgent priority is to demand a shift in the mandate of publicly funded research and education. Our public institutions should be conducting the basic research and education essential for agricultural sustainability. Large agricultural corporations have adequate economic incentives and means of conducting their own research and training their own workers. Our public institutions should not be allowed to continue using public funds to promote the private interests of industrial agriculture.

We can't transform U.S. agricultural in one farm bill. However, we simply cannot afford for U.S. farm policy to continue to support and promote an unsustainable agricultural system. We can have any kind of agriculture we want. If we want something different, we must choose different agricultural policies.

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