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New Trump Executive Order Seeks To Boost Agriculture And Rural America

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The ratio of number of farmers to number of U.S. Department of Agriculture employees is forever the butt of jokes. The picture isn't quite that extreme when Forest Service employees and those involved in food aid programs are omitted, but many agencies still can't quite seem to figure out how many employees they have or, as the infamous government shutdown of October 2013 implied, how many are "essential." Even the number of federal agencies in existence is subject to debate.

Mirroring Regulatory Officers and Task Forces President Donald Trump set up in agencies to enforce his regulatory reform agenda (which includes a freeze, and a requirement that two rules be eliminated for each one added), a new executive order ("Promoting Agriculture and Rural Prosperity in America") sets up a body to report back in 180 days on regulations and laws burdening America's agricultural sector.

The new order covers issues important to rural America such as broadband access and housing.

But for economic growth in the agricultural, farming and rural sectors, there's plenty for the administration and Agriculture Secretary Sonny Purdue to review during the coming six months.

Let's look at federal regulations from the USDA.

The Office of Management and Budget's (OMB) tally for United States Department of Agriculture (USDA) major finalized regulations up to the present is (only) $1.753 billion (in 2001 dollars), or $2.307 billion in 2013 dollars.

Note that this entire $2.307 billion is a scattering of just eight rules reviewed by OMB compared to a total of **3,025 rules issued by USDA over the relevant 14 calendar years, among which 409 were deemed "significant"** under E.O. 12866 according to the Federal Register database. (The detail of those eight rules appears in a table I compiled, *Major Rule Annual Cost Detail, OMB Costs and Benefits Reports, FY 2002-Present*.)

To these eight official rules, we can add the costs of other USDA rules which OMB compiled, but did not sum. There are (only) six of these quantified, costing roughly some $1.025 billion according to the government.

This means that for all USDA, we have only 14 rules with cost data from the federal government. That's not good, and the task force needs to delve into the rest of USDA

doings. Other semi-readily available costs for the task force to examine include USDA's paperwork burden. That's about 127 million hours worth. At $35 an hour, that would amount to $4.46 billion (see *Executive Agency Paperwork Burdens*).

And, of course, the USDA isn't the only agency whose rules impact agriculture, which the task force will likely note. The Environmental Protection Agency (EPA) is a big one. A U.S. Farm Bureau chapter fretting over regulation's impact on food prices marveled that

> A few years ago, we laughed when we heard that EPA wanted to regulate cow gas. EPA wants to regulate farm dust, regulate milk tanks and require spill prevention plans, classify spray nozzles as point source pollution, threaten to penalize farmers for feeding hay in a pasture hay ring, and so on.

The noted tally of only 14 out of thousands of agricultural rules and regulations by OMB and the capture of some of the paperwork burden obviously leaves out much regulation and activity. The task force will have to look beyond. One source is a coalition roundup of the "Terrible 12" distortionary farm policies highlighting the severe, yet often unquantified, nature of sweeping intervention in agriculture markets. These anti-market interventions consist of:

1. Direct Payments to farmers
2. Federal Crop Insurance
3. Shallow Loss Programs
4. USDA Trade Promotion Programs
5. Sugar Program
6. Dairy Market Stabilization Program (DMSP)
7. Target Prices
8. Rural Broadband
9. Mandatory Assessments
10. Cotton Program
11. Ethanol Programs
12. Biomass Program

For the moment, we will go beyond OMB's acknowledged 14 rules to consider price regulation's impact in just a couple additional areas. Chris Edwards of the Cato Institute noted the following about agricultural rules regarding milk prices (which don't appear among the rules noted so far).

> *Because of the controls placed on the dairy industry, milk prices are substantially higher than they would be otherwise, which penalizes millions of American families. The Organization for Economic Cooperation and Development found that U.S. dairy policies*

push up the price of milk to consumers by about 26 percent. The U.S. International Trade Commission found that federal dairy policies push up the U.S. price of dry milk by 23 percent, the price of cheese by 37 percent, and the price of butter by more than 100 percent above world prices.

With respect to plain old sugar (incidentally, number five in the "Terrible 12" list noted above), Edwards explained that "The federal government guarantees a minimum price for sugar in the domestic market by maintaining a system of preferential loan agreements, domestic marketing quotas, and import barriers. These policies impose a burden on consumers through higher prices. In recent years, USDA data show that U.S. sugar prices have been more than twice world market prices."

Quantifying at least a piece of the sugar-regulation picture, food and agriculture consulting firm Promar International finds that "The overall impact of these policies is to force consumers to pay more for sugar than is necessary – about $1.00 for every 5-pound bag. The extra expense to consumers and other sugar users amounts to more than $4 billion a year." Similarly economist Mark Perry estimated that the cost of the sugar program in 2010 was $4.5 billion."

A range of other indirect, unquantified distortions also affects the sugar market. Cato's Edwards, referencing a federal study, noted that "The U.S. Department of Commerce released a damning report on the economic effects of U.S. sugar policies in 2006. The report had five key findings:" These are as follows:

- U.S. employment in industries that use sugar, such as confectionery manufacturing, is declining.
- For each sugar growing and harvesting job saved through high U.S. sugar prices, nearly three confectionery manufacturing jobs are lost.
- Sugar costs are a major reason U.S. sugar-using companies have relocated their factories abroad.
- Numerous U.S. food manufacturers have relocated to Canada where sugar prices are less than half of U.S. prices and to Mexico where prices are two-thirds of U.S. levels.
- Imports of food products that use sugar as an input are growing rapidly.

Note that billions of dollars in costs and distortions of substantial USDA programs like milk and butter and other price restrictions and the rest of the "Terrible 12" items are not included in the federal government's own numbers.

Still other omissions, but categories that should concern Trump's task force, include rules on biotechnology regulation. Examples here include genetically modified crops and organisms (these are regulated by several agencies along with USDA, such as the Food and Drug Administration and the EPA). Certain firm-level data for categories such as development of insect resistant corn total in the millions but are not included above. For example, certain costs of compliance with biosafety regulations in the U.S., not including R&D, product development, or commercialization and marketing costs, are estimated at between $3,180,000 and $12,550,000.

Regulatory concerns affecting the Ag sector are global: Then-Secretary General of EuropaBio in Brussels, Belgium, Willy De Greef, wrote more than a decade ago that for GM crops the "regulatory environment is far more complex and hostile," and that "a rule of thumb is that regulatory clearance of GM crops absorbs about half of the total product development investment."

The farming sector is humanity's oldest, yet is increasingly high tech. The Trump agriculture task force should treat it that way, and remove barriers to innovation as a tradeoff for the resistance they will get on removing subsidies.